

# DECISIONS

OF THE

# RAILROAD COMMISSION

OF THE

# STATE OF CALIFORNIA

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TO THE  
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OFFICE OF COMMISSION

FLOOD BUILDING, 870 MARKET STREET

SAN FRANCISCO, CALIFORNIA

## DECISION No. 6479.

IN THE MATTER OF THE APPLICATION OF MOUNT WHITNEY POWER  
AND ELECTRIC COMPANY FOR AUTHORITY TO INCREASE ITS  
ELECTRIC RATES.

Application No. 3891.

(Supplemental.)

Decided July 2, 1919.

**VALUATION—RATE BASE—INTEREST DURING CONSTRUCTION.**—In computing a rate base for the year 1919, the average operative capital as of June 30, 1919, is included and the capitalization of 1 per cent of the cost of new work is allowed as interest during construction.

**VALUATION—WORKING CAPITAL, ALLOWANCES FOR.**—An electric utility which purchases a large portion of its energy from another utility and has the same time for payment as its consumers, will not be allowed the same percentage of working capital as is usually allowed utilities operating under different conditions.

Present surcharge of 10 per cent in addition to basis rate, at present in effect, is increased to 15 per cent to become effective for all meter readings made on and after July 15, 1919, it being understood that the utility will continue the improvements to its system and render first-class service.

*E. C. Farnsworth and Harry J. Bauer*, for Applicant.

*E. I. Fecmaster and Guy Knupp*, for San Joaquin Valley Public Utility Association, Tulare County Branch.

*Frank B. Graves*, for San Joaquin Valley Public Utility Association, Kings County Branch.

*W. W. Kaye and H. H. Miner*, for San Joaquin Valley Public Utility Association, Kern County Branch.

*MARTIN*, Commissioner.

**OPINION.**

Applicant alleges that the present rates charged by it for electric service including surcharge of 10 per cent heretofore authorized by this Commission in its Decision No. 5729, dated August 29, 1918 (Opinions and Orders of the Railroad Commission of the State of California, Vol. 15, p. 1113), are not just and reasonable, in that they do not yield applicant a reasonable return upon money invested in its operative property.

Applicant requests that the Railroad Commission authorize it to charge and collect a temporary surcharge of 15 per cent in place of the present 10 per cent surcharge.

Applicant operates an electric production, transmission and distribution system in Kings, Tulare and Kern counties, distributing electric energy for residence, domestic, commercial and agricultural purposes. Approximately 80 per cent of its business is the service of power for agricultural pumping, the majority of which is in Tulare County. In a portion of the territory it is in competition with San Joaquin Light

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and Power Corporation, and, in general, the districts served by the two companies are similar.

Applicant is controlled by Southern California Edison Company, by which its operations are supervised and from which it must obtain funds for the extension of its business and from which it purchases power for distribution to supplement its existing plants.

The basic rates now in effect on applicant's system, as well as those charged San Joaquin Light and Power Corporation, were fixed by this Commission in orders issued April 6, 1916, which rates were based upon operating costs in effect prior to the increased costs which were partially due to war conditions, and which have continued thereafter. The rates at that time fixed for the two companies' systems were made the same.

In the spring of 1918, San Joaquin Light and Power Corporation applied to this Commission for authority to increase its rates (Application No. 3531) to cover increased expenses resulting from shortage of water, increased cost and use of oil, increased cost of labor, material and supplies. After full investigation, this Commission issued its Decision No. 5449, dated May 28, 1918 (Opinions and Orders of the Railroad Commission of the State of California, Vol. 15, p. 788), authorizing San Joaquin Light and Power Corporation to increase its rates by the addition of a 10 per cent surcharge.

Following this decision, applicant herein made its application (Application No. 3891) for authority to increase its rates by a similar surcharge of 10 per cent. Hearings were held and investigation made by the Commission, and in this Commission's Decision No. 5729, the Commission found that the increase requested was justified, and authorized applicant to charge the same for service rendered on and after September 1, 1918. From an analysis of the evidence as set forth in the opinion in said decision, it appears that it was not expected applicant could earn in excess of 6.6 per cent, even if the surcharge had been applied for the entire year.

Subsequent thereto, San Joaquin Light and Power Corporation made a further application (Application No. 4064) for an additional increase in its rates, alleging greater increase in its operating costs due to shortage of water and increase in the cost of labor, material and supplies. Upon investigation in connection with this application, the Commission found that the 10 per cent surcharge would not cover the increased costs and return to San Joaquin Light and Power Corporation a reasonable return, and thereafter, in Decision No. 6095, dated January 30, 1919, authorized it to increase its basic rates by the addition of a 15 per cent surcharge in place of the 10 per cent previously authorized.

In general, applicant has earned under the rates fixed, and which are identical with those charged by San Joaquin Light and Power Corporation, a less rate of return than San Joaquin company, due largely to the less extensive business served, and the lack of diversity in its business.

On February 12, 1919, Mount Whitney Power and Electric Company filed its application (Supplemental Application No. 3891), now before the Commission for decision, requesting that its surcharge be increased to 15 per cent. A hearing was held in this matter on March 12, 1919, at which protests were filed by a number of applicant's consumers against, not only the increase in rates, but also as to the quality of service rendered. Protestants were desirous of forming an organization and presenting evidence relative to the application to the Commission, and a continuance of the hearing was granted for this purpose to May 12, 1919, which defendant agreed to. At the latter date, a further hearing was held and the matter submitted. It was stipulated that evidence in previous formal matters affecting applicant, together with reports of the Commission, would be considered in evidence. Applicant's direct evidence is set forth in the two exhibits showing the reported earnings for 1918, and the estimates for 1919, with the existing surcharges in effect, and also with a 15 per cent surcharge throughout the year 1919. These exhibits were submitted by testimony of Mr. H. A. Barre, electrical and mechanical engineer for applicant, and also by testimony regarding results of service investigation by Mr. S. M. Kennedy, general agent of Southern California Edison Company.

During the interim between the hearings, protestants formed the San Joaquin Valley Utility Public Association, comprising some 2000 power consumers in Kings, Tulare and Kern counties, employed attorneys and engineer, and submitted at the second hearing a very complete study of the matters before the Commission.

Evidence introduced by protestants was included in eleven exhibits introduced by Mr. C. H. Holley, engineer for protestants, who made an analysis of records of the company and deductions as to the rate of return which had been received, and which it was estimated would be received for the year 1919.

Since the issuance of Decision No. 5729, granting an increase of 10 per cent on applicant's system, applicant has purchased the H. G. Lacey Company's electric distribution system in Hanford, and the same has now become a part of the Mount Whitney Company's property. This system is, in general, isolated from applicant's system. Energy is purchased from San Joaquin Light and Power Corporation at Hanford and distributed mostly within the city limits. The rates now in effect

on the H. G. Lacey system are similar to the basic rates on Mount Whitney system with the exception of some minor differences.

Applicant urges that the Lacey company property be considered at this time on the same basis with the remainder of its system, urging that the rates on the entire system be made the same regardless of the fact that the Lacey property is in general isolated from the rest of the Mount Whitney system. The town of Hanford is the only community in the San Joaquin Valley from Merced south that has different rates than those charged on the San Joaquin and Mount Whitney systems. Other towns such as Fresno, Visalia, Porterville, Merced, Bakersfield, Madera, etc., are at this time paying the regular rates charged by San Joaquin and Mount Whitney Companies, together with the surcharges heretofore authorized.

Prior to the consolidation, the Hanford property was owned separately and showed, under the then existing condition, an adequate return on the property in said city. Since that time, however, further increase in cost of power has resulted from the increase in the surcharge on purchased power from San Joaquin Light and Power Corporation, and there has been a further increase in the cost of material, labor and supplies to the extent that, from a careful analysis of the evidence in this proceeding, it would appear that with the Mount Whitney and San Joaquin rates and surcharges in effect on that system, the return received will be reasonable. I would recommend, therefore, that the Mount Whitney Power and Electric Company be directed to file and make effective for its Hanford district its general rates for electric service, and that it be authorized to charge such surcharges on that system as are found to be just and reasonable, considering the company in its entirety, with the exception that no surcharge be authorized on the street lighting contract in Hanford. This contract was entered into during the war period and contemplated increased costs of operation.

In discussing and analyzing the evidence herein, I will consider the main differences between evidence presented by applicants and protestants.

Applicant's estimate of the total rate base for 1919 for the entire properties, as submitted by Mr. Barre, is \$6,103,117.23. Protestants' estimate of rate base as of December 31, 1918, for the combined properties is \$5,451,711.23. In arriving at these estimates, applicant took as a basis the figures in the Commission's Decision No. 3242, the protestant used the book figures as set forth in the company's annual report, less certain deductions. There are three main items which account for the main difference: First, protestants urge that the rate base for 1919 should be the capital as of December 31, 1918, while applicant has included an estimate of half the additions and better-

ments for 1919. Second, protestants urged that the cost of the Wolverton Dam and expenditures on Plant No. 5, which are at present nonoperative, should be deducted if the same were included in the rate base submitted by the company. The third difference is due to the difference in estimate of working cash capital and material and supplies, the applicant including the total material and supplies and a certain estimate of working cash capital, while protestants included only that portion of material and supplies which may be considered as chargeable to operations, and a portion of expenditures for capital purposes, and a lesser amount for working capital than applicant.

From analysis of the evidence, it appears to me that the rate base for 1919 should include the estimated average operative capital as of June 30, 1919. The method of charging interest during construction followed by applicant is to capitalize 1 per cent of the cost which contemplates two months' construction period, as most of the expenditures are for the distribution system and are operative in a month or two after construction work is started.

An investigation of the Commission's previous Decision No. 3242 shows that at that time the expenditures for the Wolverton Dam and Plant No. 5 were considered such as would become operative within the year 1916, and were included in capital. At the present time this work has not been completed, and it appears probable that the same will not be in the near future. I believe, therefore, that in determining the rate base, the item of cost of this equipment should be deducted. This is set forth in protestants' exhibit as \$141,594.

I am especially impressed with the presentation of protestants as to the amount of working cash capital and material and supplies. Applicant is purchasing a large portion of its electric energy from Southern California Edison Company, and has the same period for payment as its consumers have. Under the circumstances, a full allowance upon the basis generally followed by the Commission would be excessive. The material and supply account included in the rate base contemplates mainly operating material and supplies, and not material and supplies for construction purposes. Applicant has at this time a large amount of material and supplies on hand which are used for additions and betterments to its system, and it does not appear that all of this should be considered as a part of the rate base. I will accept protestants' estimate of working cash capital and material and supplies of \$213,927 as reasonable.

I find as a result, that the reasonable rate base for the entire Mount Whitney properties, including the former H. G. Lacey properties, for the year 1918, will be \$5,317,000, and for the year 1919, \$5,740,000, and will use these figures in determining the rates of return.

Applicant estimates the reasonable depreciation annuity allowance for the year 1919 at \$117,000. This figure is based upon the Commission's estimate as set forth in its Decision No. 3242 (*supra*). As compared with this, Engineer Holley estimates the reasonable depreciation allowance for the main properties at \$75,000, and for the H. G. Lacey properties \$1,838, or a total of \$79,838.

The allowance for depreciation made by the Commission in its decision above referred to, was based upon a very careful analysis and estimate of probable lives of property and equipment and I do not consider that there has been sufficient evidence introduced at this time to change the basis of the Commission's estimate, especially in consideration of the low return which applicant has earned and also the fact that the rate of depreciation fixed for the Mount Whitney system was determined after a very exhaustive study by the Commission, which consideration was given to estimates in many other proceedings. Correcting for the differences in capital and the deduction of the Wolverton Dam and Plant No. 5 expenditures, I find that a reasonable amount for depreciation annuity for the year 1919 would be \$116,000.

Applicant's and protestants' estimate of revenue for 1919 differ by approximately \$52,000. Applicant's estimate, based upon the continuation of the present rates and surcharges for the year 1919, is \$1,350,-488.32, as compared with protestants' estimate for the Mount Whitney original system, plus the H. G. Lacey properties, as set forth in their brief filed subsequent to the hearing, of \$1,402,294.36.

It appears from the statement filed by applicant in reply to protestants' brief, that an error of \$10,000 had been made in applicant's estimate. The remaining difference is largely due to a difference in the estimate of return from agricultural power. Protestants arrive at their final estimate, as set forth in their summary statement, by analysis of the rate of increase in revenue per horsepower in 1918 over 1917 and applying the same general increase to the business taken on in 1919 and 1918. Applicant has used as a basis the average income per horsepower as determined from the total installation during previous years. The year 1918 was, in many respects, an abnormal year. Considerable additional revenue was received during the first five months of 1918 over what would normally be expected due to a continued drought, while to partially offset this, early rains reduced the power consumption in the fall. Considering this fact, and in light of the evidence introduced, it would appear more accurate to estimate the revenue for additional horsepower installed on the basis of average conditions over a period of years rather than the actual difference between 1917 and 1918. It would appear that a reasonable estimate of the revenue for

the combined properties for 1919, assuming the present surcharges to continue, would be \$1,365,000.

The total power requirements for 1919 are estimated by Mr. Barre to be approximately 3,000,000 kilowatt hours in excess of Mr. Helley's estimate. However, the difference in the estimate of power required to be purchased from Southern California Edison Company is slightly in excess of 7,000,000 kilowatt hours. Mr. Helley estimates the power available from the hydroelectric plants of Mount Whitney company at 62,000,000 kilowatt hours. It appears, however, in arriving at his estimate, that he has included therein energy delivered to Southern California Edison Company, which will approximate 7,000,000 kilowatt hours for the year. In the brief of protestants, however, credit has been made for the sale of this energy to the Edison company and it appears, from consideration of the evidence presented, that the total output of the hydroelectric plants will probably not exceed the total estimated by him. Mr. Barre estimates 65,000,000 kilowatt hours output of the hydro plant, of which 7,000,000 kilowatt hours are delivered to Edison company, leaving a net amount of 58,000,000 kilowatt hours for distribution on the Mount Whitney system. I will accept Mr. Barre's estimate as reasonable.

Protestants have made a correction for increased efficiency of 4,000,000 kilowatt hours, resulting from the changing over of applicant's distribution system from 6600 volts to 11,000. An analysis of the effect of this change would tend to show some saving; however, it would not appear that as great a saving as estimated would result. It would appear that the following estimate of power required would be a fair and reasonable estimate to use in connection with this proceeding:

Total energy required.....	113,500,000 kilowatt hours
Produced from hydro plants direct to Mount Whitney system .....	58,000,000 kilowatt hours
Steam production—Visalia plant.....	1,000,000 kilowatt hours
Power purchased from Edison company.....	54,500,000 kilowatt hours

There appears to be a general agreement as to the cost of operation of steam and hydro plants, estimated by applicant to be \$87,000. After considering all the evidence as regards the reasonable price of electric energy purchased from the Edison company I must conclude that the charge of 8.3 mills per kilowatt hour is a reasonable charge for the power. Although this is based upon the additional cost to serve applicant under the present conditions, it does not appear that there would actually be any reduction in the estimated cost should the charge to applicant be determined on the average cost of producing power on the Edison company's system. I desire to call Southern California Edison Company's attention, however, to the fact that as the controlling



interest in the Mount Whitney Power and Electric Company, the sale of energy to the Mount Whitney company must be considered as a part of the direct obligations of Southern California Edison Company and that the Mount Whitney consumers should participate in any savings which might result on the general Edison company system. The following appears a fair estimate of the production costs of Mount Whitney Power and Electric Company:

Hydro and steam production cost-----	\$87,000 00
Purchased power -----	452,350 00
Total -----	\$539,350 00
Credit—Sale to Edison company-----	24,500 00
	\$514,850 00
Power purchased from San Joaquin Light and Power Corporation -----	38,000 00
Total -----	\$552,850 00

The estimate of expenses, exclusive of taxes, as set forth by applicant, are as follows:

Distribution expenses -----	\$130,000 00
Commercial expenses -----	48,000 00
General expenses -----	64,000 00
Total -----	\$242,000 00

Testimony of S. N. Kennedy is to the effect that the plans to improve service conditions which the company has proposed will require an additional expenditure in the neighborhood of \$5,000 a year, and since the hearing the Commission has been advised that the expenditures have been authorized. I believe it fair, therefore, to allow a total operating charge other than production expense and taxes, of \$245,000 for the year 1919.

Applicant estimates the taxes for 1919 at \$67,000, which is apparently 6 per cent for state and normal federal tax on the gross revenue for 1918. Although this will probably be the total amount of normal taxes actually paid for 1919 it is well to point out that applicant will incur during 1919 taxes upon the gross revenue received during that year, so that in case the total revenue as herein estimated will be \$1,365,000, the actual incurred will be:

State taxes -----	\$75,000 00
Federal tax (normal) -----	2,400 00
Total -----	\$78,000 00

Considering the evidence presented, as heretofore discussed, it would appear that the following table sets forth a reasonable and fair esti-

mate of the capital, revenue and expense for the year 1919, assuming that the present rates and surcharges remain in effect:

Estimated rate base -----	\$6,714,000 00
Revenue -----	1,365,000 00
Operating expenses:	
Production -----	552,850 00
Distribution -----	133,000 00
Commercial -----	48,000 00
General -----	64,000 00
Uncollectible bills -----	10,000 00
Total -----	\$807,850 00
Taxes -----	78,000 00
Total expense -----	\$885,850 00
Net for depreciation and return -----	\$479,150 00
Depreciation -----	115,000 00
Net -----	\$364,150 00
Miscellaneous income -----	6,000 00
Net for return on rate base -----	\$370,150 00
Per cent return upon rate base -----	6.47

In case the increase in surcharge on the general system of 5 per cent is authorized for the last six months and a surcharge of 15 per cent is authorized on the former H. G. Lacey properties with the exception of the street lighting service for the last six months, the gross revenue will be increased approximately \$40,500. On this basis the net return for the year 1919 will be approximately 7.1 per cent. In case the surcharge should be applied for the entire year, the rate of return would be approximately 7.75 per cent.

The Commission, in its decision in the San Joaquin Light and Power Corporation's application, authorized a surcharge of 15 per cent on the basis that the cost of operation was such that this surcharge would be necessary to give the company what has been considered by the Commission as a reasonable return upon capital invested, which in that case was 8 per cent on the rate base.

From the above I find as a fact that, provided applicant renders reasonable service to its consumers, which it appears that it is doing to the best of its ability under the present conditions, it is entitled to an increase of rates to the extent of adding a total surcharge of 15 per cent.

In concluding to recommend the granting of the increase in the surcharge, I am mindful of the testimony and deductions of applicant that it is taking special steps to improve its service to consumers.

Utilities, in order to receive commensurate rates, must fulfill their obligations to their consumers by exerting every reasonable effort to give good service.

It is well to emphasize in connection with the matter of increases in rates for electric service that, even with the surcharge herein authorized, the percentage increase in cost of this service will be materially lower than the general increase in cost of labor and supplies which the consumers have had to pay for their other requirements. Since the basic rates now in effect on the Mount Whitney system were fixed, the price received by applicant's agricultural consumers for their products have, in general, increased far in excess of 15 per cent; in fact, certain commodities have increased in price in excess of 100 per cent during that period. Government statistics tend to show that on the average the cost of commodities has increased in excess of 50 per cent, and that at the present time the average purchasing ability of a dollar has been reduced to approximately 60 to 65 cents as compared with its purchasing power in 1915. It is true that these facts in themselves are not a sufficient basis for justifying an increase in rates, but it is well to have them in mind.

It does not appear in this proceeding that even with the increase granted, the return applicant will earn upon its investment will be such as to especially encourage large financing. Applicant's consumers must not lose sight of the fact that public utility service in this district has a very important part to play in the full development of agricultural interests, and that to handicap the utility by inadequate rates would result inevitably in a decreased quality of service and an ultimate stifling of the development of the valley. In the final analysis the result would be a detriment to the entire community.

I feel certain that applicant's consumers will gladly meet their responsibility by paying the increased rates when they realize it is vitally essential to them that the utility earn sufficient to continue to serve its patrons adequately and meet the large and increasing demands for power which are continually being made upon the system.

The evidence shows that applicant and Southern California Edison Company have gone to considerable labor and expense in arranging its system so that the interruption to service which occurred in 1918 will be eliminated as far as practicable. Applicant has further agreed, and authorization has been made, for the increasing of its staff so as to better service in certain of its districts, including Tipton, Earlimart and the Venice Hill substation, where special complaint regarding interruption to service occurred in 1918. It is understood in the granting of this increase that the improvements in operation in these dis-

tricts have been installed and that applicant will continue to do all in its power to render the best service possible.

At the time of the submission of this application Southern California Edison Company had arranged, in order to improve the service on applicant's system, so that it would not be necessary to directly interconnect between the Mount Whitney and San Joaquin systems. Since that time the shortage of power supply on the San Joaquin system has become so acute that it is absolutely necessary that the interconnection of these systems be made during the latter part of this year in order to protect the interests of farmers in the valley. The result of this interconnection will be that the Mount Whitney consumers will not obtain fully the class of service which applicant promised at the hearing in this application. The Commission has, however, given this matter careful consideration and has concluded that its duty to the general service in the entire San Joaquin Valley is to make possible the full use of all facilities of the electric utilities so that no drastic action would be necessary on the company's part in discontinuing consumers, the result of which would probably be a greater loss to the San Joaquin Valley in total than the inconvenience which would result from a few additional interruptions on the Mount Whitney system. We are certain that the consumers of the Mount Whitney Company will be fully in accord with this position.

Complaints were filed in this case against the form of rates in effect on Mount Whitney system and especially against the use of maximum demand meters, it being the general complaint that the maximum meters were not dependable and that often overcharges resulted. It is apparent that something should be done to relieve this situation. The evidence at present is not sufficient to justify a complete revision of the rates at this time and the Commission is reluctant to make a definite change in the form of rate in the middle of the irrigation season. Pending a final determination of a revised basis for billing for power service which will overcome the difficulties complained of, it would appear advisable that the Commission take steps to investigate all special complaints and make such reasonable adjustment as should be made in view of the individual cases pending a full analysis of the rate situation on the Mount Whitney system, which the Commission is taking up at this time. Some relief, however, can be obtained by the making effective of an optional meter rate at this time and applicant has submitted to the Commission for its consideration such a rate, and it is my recommendation that this rate, slightly modified, be put in effect as an optional schedule at this time.

I recommend the following form of order:

### ORDER.

Mount Whitney Power and Electric Company having applied to this Commission for authority to increase its basic rates, and charges for electric service by the addition of a 15 per cent surcharge to be applied thereon, in place of the present 10 per cent surcharge, hearings having been held and the matter submitted and now ready for decision.

*The Railroad Commission hereby finds as a fact* that the existing rates and surcharges for electric energy sold by Mount Whitney Power and Electric Company are, under existing conditions, unjust and unreasonable, and that the rates and surcharges herein authorized are just and reasonable.

Basing its order on the foregoing findings of fact and the other findings of fact contained in the opinion which precedes this order.

*It is hereby ordered* that Mount Whitney Power and Electric Company shall file and make effective over its entire system the general rates now in effect upon its main distribution system, the same to be effective for metered service on all meter readings taken on and after July 15, and all flat rate service rendered on and after July 1, 1919.

*It is hereby further ordered* that the existing surcharge of 10 per cent now in force and in effect on the Mount Whitney Power and Electric Company's system be and the same is hereby canceled, such cancellation to be effective for all flat rate service rendered on and after July 1, 1919, and on all meter readings for metered service taken on and after July 15, 1919.

*It is hereby further ordered* that Mount Whitney Power and Electric Company be and the same is hereby authorized to charge and collect in addition to bills based upon the basic rates now or hereafter in effect on its entire system, a surcharge of 15 per cent, said surcharge to be applicable to all flat rate service to be rendered on and after July 1, 1919, and prior to January 31, 1920, and for metered service based on meter readings taken on and after July 15, 1919, and prior to January 15, 1920, except in the case of street lighting service in the town of Hanford, on which no surcharge should apply.

*It is hereby further ordered* that Mount Whitney Power and Electric Company shall file as an optional schedule applicable to agricultural power service for all meter readings taken on and after July 15, 1919, the following schedule:

### OPTIONAL SCHEDULE.

#### POWER SERVICE.

##### *Character of service:*

This schedule is applicable to all classes of power to which Schedules 4, 5, 6 and 6-a apply, excepting lighting, heating and cooking service.

*Rate:*

First 100 kilowatt hours per month per horsepower of active connected load-----2 cents per kilowatt hour  
 All over 100 kilowatt hours per month per horsepower of active connected load-----1½ cents per kilowatt hour

*Minimum charge:*

\$18 per year per horsepower but not less than \$54 per year, payable in six equal monthly installments beginning with the month of May.

*Maximum monthly charge:*

The maximum monthly charge—\$5 per horsepower of connected load.

*Special conditions:*

1. The connected load is defined as being the summation of the rating in horsepower of all motors or other utilization equipment which may be connected at any one time to the company's system.
2. When motors are found to operate in excess of the monthly consumption of 600 kilowatt hours per horsepower of rated capacity, the connected load for that month shall be taken as the total monthly consumption in kilowatt hours divided by 600.

This order shall not be construed as disturbing the structure of the rates now on file with the Commission, but Mount Whitney Power and Electric Company shall, in addition to showing on its bills for electric service the amounts due under the basis rates now in effect, also show separately the surcharge herein authorized.

Mount Whitney Power and Electric Company shall file with the Railroad Commission on or before the thirtieth day of each and every month reports in such form as may be described by the Commission showing the results of its operations from electric business and such other information as the Commission may designate from time to time.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this second day of July, 1919.

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DECISION No. 6479.

IN THE MATTER OF THE APPLICATION OF MANTECA WAREHOUSE COMPANY FOR AUTHORITY TO INCREASE WAREHOUSE RATES AT MANTECA.

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Application No. 4659.

Decided July 3, 1919.

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*R. C. Minor*, for Applicant.

*MARTIN*, Commissioner.

**OPINION.**

Applicant herein owns and operates three warehouses in the town of Manteca devoted to the storage of beans, grain, hay and sunflower seed;

a fourth warehouse recently destroyed by fire is being rebuilt for the storage of hay. Warehouse structures are built of galvanized iron resting on concrete foundations with wood floors, total estimated present value being \$30,000, divided as follows:

Warehouse lots -----	\$10,000 00
Buildings -----	20,000 00

Applicant desires to increase its warehouse rates by the addition of a loading charge of 25 cents per ton affecting the storage of grain, beans and sunflower seed, and 35 cents per ton for loading out hay; it is also proposed to establish a table of new charges for the storage and handling of alfalfa meal. It is estimated by applicant that the proposed increases, if allowed, will result in additional annual revenue approximating \$750.

The application is based upon the allegation that the land upon which the warehouses are located is now within the corporate limits of Manteca, which fact "makes a very material difference in the amount of taxes to be paid;" also that the cost of warehouse labor has advanced from 25 to 60 per cent; truckers formerly receiving \$2.50 per day now being paid \$4, and pilers heretofore paid \$3 per day now receive \$5. There is also, it is alleged, an "extra cost of machinery, gasoline, electric power, and other equipment necessary to carry on the business."

Following is a statement of applicant's receipts and expenditures for the year 1918-19, the only year's business with record available:

Receipts -----	\$3,250 15
Expenses -----	2,793 17
Profit -----	\$456 98

A hearing on the application was held at Stockton June 27, 1919, following the usual press announcement and individual notice to applicant's patrons, but no one appeared at the hearing in opposition to the proposed increases. The testimony showed that in addition to the increase in wages, as alleged in the petition, applicant is obliged to pay at present 50 per cent more for machinery, 15 per cent more for electric power and 25 per cent more for gasoline than was paid for these warehouse necessities at the time present rates were established. As to the proposed increase of 35 cents per ton on hay, it was shown by the testimony that a higher charge is justified by reason of the peculiarity of spur track facilities at applicant's warehouse necessitating double handling of hay when loaded out.

For the foregoing reasons I am of the opinion that the application should be granted, and recommend the following form of order:

**ORDER.**

Manteca Warehouse Company having filed with the Railroad Commission an application for authority to assess certain charges for the handling of cereals and hay, a hearing having been held thereon, the matter having been submitted and being now ready for decision,

*It is hereby found as a fact* that the rates and charges assessed by Manteca Warehouse Company are noncompensatory, and that the rates as hereinafter set forth are just and reasonable rates for the service indicated.

Basing its order upon the foregoing finding of fact and upon other facts set out in the opinion preceding this order,

*It is hereby ordered* that Manteca Warehouse Company be and the same hereby is authorized to publish and file within thirty days from date hereof a schedule showing rates for loading commodities into cars as follows:

Beans, grain and sunflower seed-----	25 cents per ton
Hay -----	35 cents per ton

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this third day of July, 1919.

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DECISION No. 6480.

IN THE MATTER OF THE APPLICATION OF AUGUST OIL COMPANY,  
A CORPORATION, FOR AN ORDER REVISING AND INCREASING  
ITS RATES.

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Application No. 4406.

Decided July 3, 1919.

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CLASSIFICATION OF ACCOUNTS—WATER UTILITIES. BOOKS KEPT BY.—A public utility water company is expected to keep its books in accordance with the classification of accounts as prescribed by the Railroad Commission for that particular class of utility.

WATER UTILITIES—INVESTMENT FOR LEASES.—The expenditure of the sum of \$39,205.50 for a lease by a company intending to drill wells for the purpose of developing oil, which company afterwards enters the water distributing business, is not allowed, it being held, while such expenditure may have been proper in the contemplation of developing oil, it was not required nor necessary in the development of a water supply.

Revised schedule of rates established for meter readings made on and after July 1, 1919.

*Everts & Ewing*, by *D. S. Ewing*, for Applicant.

BY THE COMMISSION.

**OPINION.**

This is an application by August Oil Company, a public utility corporation engaged in the business of supplying water for commercial



use in the Midway and Sunset oil fields, Kern County, for an order revising and increasing its rates for water served to its consumers.

Public hearings were held in Bakersfield on May 6, 1919, and in San Francisco on May 15, 1919, before Examiner Bancroft.

From the evidence it appears that applicant was incorporated in 1910 for the primary purpose of developing and selling crude oil; that it purchased the lease of the G. M. B. Oil Company of 40 acres of land owned by the Fort Wayne Oil Company located in the southeast quarter of the southeast quarter of section 31, township 32 S., R. 24 E., M. D. B. and M., for which applicant paid the G. M. B. Oil Company 300,000 shares of its capital stock, the market value of which, at that time, was ten cents per share. There were then on the property two wells, one known as Well No. 1, about 1220 feet deep, the other as Well No. 2, about 1480 feet deep, also certain machinery, tank and pipe lines necessary for oil operations.

Applicant then proceeded to drill for oil. Well No. 3 was begun in June, 1910, and carried to a depth of 1880 feet, at an actual cost of \$25,039.87. Oil was not struck in paying quantities, but a good flow of water was found. The company then decided to enter the field as a water utility, and the first sales of water were made that same year to consumers in the vicinity of Maricopa.

Well No. 4 was drilled during the years 1911 to 1913 to a depth of 1510 feet at a cost of \$8,436.71, for the purpose of developing more water. Well No. 2 has been abandoned, but in August, 1918, applicant began overhauling and deepening Well No. 1 (which up to that time had been useless), for the purpose of obtaining additional water. This work is still in progress.

In addition to the \$30,000 worth of stock, applicant also paid \$9,205.50 in connection with obtaining the original lease, although for just what purposes the last sum was paid, or whether paid in money or stock, applicant's officers do not appear to know.

The old lease was surrendered and a new lease entered into with the Fort Wayne Oil Company on June 20, 1914, by which the amount of land leased was reduced from 40 acres to 10 acres, and the royalty to be paid to the Fort Wayne Company was reduced from 9 per cent to 5 per cent of applicant's gross sales of water.

A thorough investigation of applicant's physical property and records was made by C. I. Rhodes, one of the Commission's hydraulic engineers; but as the original cost records of applicant are almost entirely lacking, it was necessary to estimate the cost of the various elements. From the figures compiled by Mr. Rhodes, which were not contested by applicant, we find the total estimated original cost of appli-

cant's physical properties to be \$184,881, and the total reproduction cost \$282,704.

Applicant's pumping expenses are exceedingly high, having amounted in 1918 to an average of approximately 1.7 cents per barrel. This is due to the fact that the water contains a high percentage of soluble salt which readily crystallizes on the walls of the pipes. The water is pumped from a depth of about 450 feet, at a temperature of approximately 90 degrees. As it passes along the mains from the pumps, these salts form a heavy incrustation in the pipes amounting in a year's time to a thickness of over three inches, thus reducing in that time the net aperture in a seven-inch pipe to approximately one inch. This deposit is most plentiful for the first 4000 feet from the wells, after which it is not so serious. These pipes have to be cleaned once a year, at an average cost of about \$800. The additional pressure above the normal required on account of this incrustation on the main running to the higher districts varies from zero, when the pipes are freshly cleaned, to 150 pounds per square inch and reaches 40 pounds per square inch on the line serving the lower districts. These additional pressures naturally increase the power required. The idea occurred to the Commission that possibly much money could be saved by cooling the water and allowing the salts to be precipitated, and we suggest that the company investigate this matter carefully.

We might here state that applicant's books leave much to be desired as to the form in which they are kept, and we shall expect applicant hereafter to keep its books under the uniform classification of accounts of water corporations, as prescribed by this Commission.

The water furnished by applicant is used only for boiler feed purposes, for which it is fairly satisfactory. On account of its salts it could not, of course, be used for domestic purposes. The water is, in general, served to two groups of consumers, those having considerable elevation above the plant, and those located at a lower elevation than the plant. The rate now paid by the former group is  $2\frac{1}{2}$  cents per barrel, and the rate paid by the latter is 2 cents per barrel.

In considering the invested capital upon which applicant is entitled to a reasonable return, we are of the opinion that the \$39,205.50, or its equivalent, paid for the lease, should not be included. This may have been an entirely proper expenditure for an oil company intending to develop oil but, whether it was or not, it certainly would not have been a proper expenditure for a company to have made in order to obtain water. In this connection we might call attention to the alteration of the original lease by which the royalty paid to the lessor was reduced from 9 per cent to 5 per cent of the gross sales of water. If the lease

had been an asset when the royalty was 9 per cent, it hardly stands to reason that the lessor would have reduced this royalty to 5 per cent after applicant had been in operation as a water company for some four years.

The amount expended by applicant upon Well No. 3, while expended primarily for the development of oil, would, under all the circumstances, not have been excessive as an expenditure for the development of water if applicant had at that time been endeavoring to develop water instead of oil. Accordingly, the entire cost of this well has been included as part of applicant's capital, used and useful in the operation of its system.

We shall, then, take \$184,881, the estimated historical cost of applicant's physical properties, as the invested capital used in its public utility business. The interest on this amount at 8 per cent per annum is approximately \$14,790, while the sinking fund annuity at 6 per cent compounded totals \$5,624.

Applicant submitted a report showing its operating expenses for the year 1918 to be \$47,731.06. Its bookkeeping is so far from the standard that the items submitted by the company had to be substantially revised before they could be of any value in this decision. Several of the estimated charges were, in our opinion, too high and we believe that by practicing rigid economy applicant could reduce its operating expenses to approximately \$40,000. This would result in total annual charges as follows:

Interest -----	\$14,790 00
Maintenance and operating cost -----	39,400 00
Depreciation -----	5,624 00
Total -----	\$59,814 00

Applicant's sales of water for 1918 were 1,848,950 barrels, and applicant estimated that its sales for 1919 would amount to two million barrels. Under all the conditions of this case, we are of the opinion that no distinction in rates should be made between the so-called high level and low level users. We shall, accordingly, authorize applicant to increase its rates as set forth in the following order, upon a uniform block system for all its consumers, which, so far as it is possible to forecast, should result in a gross annual revenue to applicant of about \$60,000.

#### ORDER.

The August Oil Company, a public utility corporation, engaged in the business of supplying water for commercial use in the Midway and Sunset oil fields, Kern County, having filed its application in the above-entitled proceeding for an order revising and increasing its rates, public hearings having been held thereon, and the Commission being fully advised in the premises,

*The Commission hereby finds as a fact that the present rates charged by applicant are unreasonable and noncompensatory, and that the rates hereinafter authorized are just and reasonable. Basing its order upon the foregoing findings of fact and on the further findings of fact in the opinion which precedes this order,*

*It is hereby ordered:*

1. That August Oil Company be, and it is hereby, authorized to file with this Commission, and charge its consumers on all meter readings after July 1, 1919, the following rates:

Minimum .....	\$10 00	per month
For first 30,000 barrels per month .....	03	per barrel
For over 30,000 barrels per month .....	02½	per barrel

2. Applicant shall hereafter keep its books under the uniform classification of accounts of water corporations as described by the Railroad Commission.

3. Applicant shall file, within thirty days from the date of this decision, four copies of its proposed rules and regulations.

Dated at San Francisco, California, this third day of July, 1919.

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DECISION No. 6482.

S. A. PONCE

*vs.*

HALF MOON BAY WATER COMPANY, A CORPORATION, BANK OF ITALY, A CORPORATION, WILLIAM MEISSNER, APPOLOLIA WATER COMPANY, A CORPORATION, AND HORACE G. KNAPP.

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Case No. 1270.

Decided July 3, 1919.

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It having been shown that improvements to the system of defendants is necessary to enable them to render the service to which consumers are entitled, they are directed, within specified time, to install needed improvements and take immediate steps to secure a permanent supply of water.

*J. E. McCurdy*, for Complainant.

*Louis Ferrari*, for Bank of Italy.

*Albert Mansfield*, for Wm. Misner.

*Alfred W. Hare*, for Mrs. C. H. Dunsmore.

BY THE COMMISSION.

#### OPINION.

The amended complaint alleges that defendants are engaged in operating a water system at Half Moon Bay, San Mateo County, under the fictitious name of Half Moon Bay Water Company; that water service

is insufficient, inadequate and unsatisfactory; that the wells and pumps are inadequate, and that at times during the last summer consumers were wholly without water.

The answer of the bank discusses the title and possession of its undivided six-fifteenths interest in the system, but is silent as to the allegations concerning service. The answer of defendant Wm. Misner (sued as Wm. Meissner), denies all of the allegations of the complaint, and alleges that he has no interest in the system except as legatee under the will of Lizzie Knapp, deceased, the owner of an undivided five-fifteenths interest in the system.

A public hearing was held by Examiner Westover at Half Moon Bay, at which the facts relating to the service and system were presented, and subsequently two additional hearings were held by him in San Francisco.

At the last hearing it appeared from the agreed statement of counsel that the Bank of Italy owns an undivided six-fifteenths interest, Wm. Misner has succeeded to the undivided five-fifteenths interest of Lizzie Knapp, deceased, and that the remaining four-fifteenths interest was owned by Apponolia Water Company, a corporation now defunct, because of failure to pay its corporation tax. It also appeared that considerable uncertainty existed as to who were the members of the last board of directors of said Apponolia Water Company who would by virtue of law become trustees in liquidation for creditors and stockholders; and as to the whereabouts of such trustees. It appears, however, that Mrs. C. H. Dunsmore is the owner of nearly all of the capital stock of the company, and thus owns practically an undivided four-fifteenths interest in the system of defendants.

The water supply of defendants is obtained by diversion from Diggs Creek, and by pumping from a drilled well located near the point of diversion. The flow of the stream is practically continuous, and is reported as measuring 1200 gallons per hour on October 29, 1918.

The rights to the water in this creek are involved in an action pending in the Superior Court of San Mateo County, brought by Lizzie Knapp as plaintiff against Lizzie Diggs and Wm. Debenedetti, both defendants therein using water from the stream for irrigation.

Under stipulation made in that case all of the water has been used by the parties thereto, in rotation, during the last four or five years, for intervals of three or four days each; but last year it appears that Mr. Debenedetti diverted and used all of the water, thus greatly reducing the limited supply of defendants herein. Counsel state that a trial of the case of *Knapp vs. Diggs et al.* can probably be had at a comparatively early date and the rights of the parties determined.

We suggest that if decree is not to be entered soon in that case, an effort should be made to modify the present stipulation so that the system of defendants herein may receive a continuous flow equivalent to the interest in the stream owned by the estate of Lizzie Knapp, now deceased.

Mr. Mansfield, attorney for Mrs. Knapp, expressed the opinion that the water system herein should receive about half of the water in the stream upon final adjudication of the respective rights thereto.

Water is diverted from the creek into a concrete lined storage reservoir, and conveyed by gravity through a 6-inch transmission line about two miles to the town of Half Moon Bay, where it is distributed to about 125 consumers. Water is also developed from a 6-inch drilled well 66 feet deep, already mentioned. The pumping plant consists of a 5-inch pump with a 4-horsepower gasoline engine, and discharges water directly into the reservoir.

No engineering testimony was offered by defendants. They expressly rely upon the testimony of Wm. Stava, one of the Commission's assistant hydraulic engineers, who made an investigation and report, which has been placed in evidence, pursuant to stipulation of counsel. Mr. Stava reports the pump to be in good condition, with a larger capacity than the 1200 gallons per hour which it was delivering at the time of the first hearing; but that the engine is in poor condition and should be replaced by one of 8 horsepower to 12 horsepower. He also reports the transmission line to be in poor condition, and in need of repair.

Consumers who testified at the hearing complained also of a sediment in the water. Mr. Stava recommends that this condition be remedied by raising the outlet at the reservoir about six inches to prevent sediment being carried into the distribution system.

Complaint at the hearing was also made of the quality of the water coming from the tank and well of A. T. Gilchrist, one of the consumers. It appears that his tank, receiving water from his well and also from the system of defendants, is so connected that when the pressure on the system becomes low, water objectionable in character to consumers of defendants flows into the system. Mr. Stava recommends that a check valve be installed.

The pumper in charge of the system of defendants testified that nearly half of the water is lost in transmission because of leaky mains, and that the present 4-horsepower engine is far too small.

#### ORDER.

Public hearings having been held in the above-entitled case, and the matter being submitted and now ready for decision,

*It is hereby ordered* that defendants, Bank of Italy, Wm. Misner and Mrs. C. H. Dunsmore, operating a water system at Half Moon Bay, San Mateo County, under the fictitious name of Half Moon Bay Water Company, provide for their consumers an adequate supply of water, and render high-class service to their consumers; and to that end within sixty days they repair the transmission main leading from the storage reservoir; raise outlet at reservoir about six inches, sufficient to prevent sediment being carried into the distribution system; install 8 horsepower or 12 horsepower gas engine or the equivalent electric equipment at the pumping plant; and arrange to have check valve placed in the line leading from tank of A. T. Gilchrist; and that within thirty days they arrange to procure a continuous flow of not less than one-third of the waters of Diggs Creek or take steps to procure a decree of the Superior Court of San Mateo County adjudicating their rights to the waters of said creek; or that in lieu of obtaining such supply from Diggs Creek they develop not less than 2000 gallons of pure water per hour in addition to present available water supply by sinking additional wells, or otherwise.

Dated at San Francisco, California, this third day of July, 1919.

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DECISION No. 6483.

IN THE MATTER OF THE APPLICATION OF COAST VALLEYS GAS AND ELECTRIC COMPANY, A CORPORATION, FOR AN ORDER AUTHORIZING THE ISSUE OF BONDS OF THE FACE VALUE OF ONE HUNDRED TWENTY-FIVE THOUSAND DOLLARS.

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Application No. 4352.

Decided July 8, 1919.

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BY THE COMMISSION.

**FIRST SUPPLEMENTAL ORDER.**

Coast Valleys Gas and Electric Company having filed with the Railroad Commission in the above-entitled matter a supplemental petition to which is attached an exhibit showing that during the months of March, April and May, 1919, it has installed additions and betterments to its plant costing \$4,702.24, and the engineering department of the Commission having reported that the expenditures are proper charges on capital account, and applicant having asked permission to use \$4,702.24 of the proceeds obtained from the sale of bonds to pay said construction expenditures or to reimburse its treasury because of said

expenditures, and the Commission being of the opinion that applicant's request should be granted; now therefore,

*It is hereby ordered* that Coast Valleys Gas and Electric Company be, and it is hereby, authorized to use \$4,702.24 of the proceeds obtained from the sale of bonds to pay for the construction of the extensions, additions and betterments installed during the months of March, April and May, 1919, as reported in Exhibit "A" attached to the first supplemental petition herein, or to use said sum of \$4,702.24, or such part thereof as may be proper, to reimburse its treasury because of earnings expended to pay for the construction of the extensions, additions and betterments, to which reference is made in the first supplemental petition herein.

Dated at San Francisco, California, this eighth day of July, 1919.

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DECISION No. 6484.

IN THE MATTER OF THE APPLICATION OF CALIFORNIA-OREGON  
POWER COMPANY FOR AN ORDER READJUSTING AND FIXING  
ITS RATES AND CHARGES FOR ELECTRIC ENERGY.

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Application No. 4196.

Decided July 10, 1919.

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**ELECTRIC RATES—LIMITED BY VALUE OF SERVICE.**—An electric utility can not expect to establish a schedule of rates which would require consumers to pay for energy in excess of the value of service rendered to such consumers, particularly when it is in a development stage and serving a sparsely settled territory.

**FLAT RATES—DISADVANTAGE OF—EXCESS USE OF ENERGY.**—An electric utility furnishing electric energy to a large percentage of its domestic consumers on a flat rate basis is directed to take steps to meter all such consumers, as the conservation of energy is essential and a flat rate tends to extravagant and wasteful uses.

Revised schedule of rates established to become effective for flat rate service rendered on and after July 1, 1919, and for meter readings made on and after July 15, 1919.

*Morrison, Dunne & Brobeck*, by *E. S. Taylor* and *Tapscott & Tapscott*, for Applicant.  
*B. K. Collier*, for town of Montague and town of Etna.

*James M. Allen*, district attorney of Siskiyou County, for Siskiyou County and town of Yreka City and town of Dorris.

*Herbert R. Raines*, for town of Yreka City.

*Herbert McGuinness*, for town of Dunsmuir and town of Sisson.

BY THE COMMISSION.

**OPINION.**

In this proceeding applicant alleges, in general, that the revenue received from its electric service rendered in California does not result



in a reasonable return upon the investment, and requests that the Commission issue an order authorizing applicant to establish rates which will enable it to collect reasonable and adequate compensation for the service rendered.

A public hearing was held in this proceeding before Examiner Bancroft at Yreka on April 23, 1919, at which time evidence was introduced by applicant and by the various protestants. It was stipulated that if necessary additional information might be required by the Commission subsequent to the submission of the case, and the same would be considered in evidence.

Applicant herein operates an electric production, transmission and distribution system in the southern part of Oregon and in the northern part of California. The service in California is limited, in general, to Siskiyou and Trinity counties, where electricity is generated and sold for domestic and commercial lighting and power service, also industrial, agricultural and dredging service.

During 1918, as a result of negotiations on the part of the Commission to help the power situation in the central part of California, applicant extended its transmission line from Castella to Kennett and reinforced the main line from Copco to Castella for the transmission of power to Northern California Power Company. Up to this time the Copco plant, which was completed in 1918, had not been operating to capacity, but with the completion of interconnection the plants of applicant will be practically fully loaded.

The company owns and operates four hydroelectric plants in California, namely, those known as Fall Creek 2300 kilowatts, Shasta River 360 kilowatts, Carville 320 kilowatts, and Copco of 10,000 kilowatts capacity. On December 31, 1918, applicant had 2517 electric consumers in California and a total connected load of 10,246 kilowatts. The company reports approximately 5000 consumers in Oregon. The revenue and sales, exclusive of sales to Northern California Power Company, are, however, practically equally divided between California and Oregon.

An estimate of the historical cost of the properties of applicant in California was made by Assistant Engineer R. M. Vaughan of the Commission's gas and electric division, which shows that on December 31, 1918, this estimated cost of the physical plant was \$4,297,799, and of this amount the cost of the Copco plant, plus the additional transmission line to Kennett, was \$2,612,100, leaving a net cost of the physical property, exclusive of Copco, \$1,685,699.

The delivery of power to Northern California Power Company will require practically the entire use of the Copco plant. This plant was not in operation in 1918. We will compare applicant's earnings in

1918 with the investment exclusive of Copco. The 1918 records of applicant show, for the California Division, the following:

Gross revenue -----	\$229,591 23
Expenses -----	94,737 33
Net for return and depreciation -----	\$134,853 90
Average return for 1918 based upon a capital of \$1,650,000 -----	8.17%

The rate of depreciation annuity upon the property of applicant exclusive of Copco will be approximately 2 per cent per annum, from which it appears that applicant earned approximately 6.2 per cent on its physical property for the year 1918.

During 1918 and the first part of 1919 the cost of operations of applicant have increased due to increased cost of labor and material. With the return of normal times, however, the increased revenue should offset these increases. However, it does not appear from the evidence that applicant's general distribution business will rapidly increase during the next year or two. Applicant is in the development stage and is serving scattered communities, which makes it impossible at this time for it to earn a high return on its investment, and it must expect that its rate of return will be low for the present. In addition, the value of the service of applicant is limited to the value of the service to consumers. Applicant has appreciated this fact in the rates which it has put in effect in the past, which have not been fixed by the Commission, but have been voluntarily filed by applicant.

Applicant has a large percentage of flat rate consumers, especially for lighting, on its system, and it appears, as a result, that in a number of instances an extravagant and wasteful use of electricity exists. Conservation of power is absolutely essential and in equal fairness to all consumers, each consumer should pay for his service in accordance with the service rendered, and we recommend that applicant take steps to discontinue the use of flat rates, and the order herein will fix meter rates for all classes of service, allowing, however, the flat rates now in existence to continue until such time as is necessary to place its consumers on a meter basis.

Applicant's records have not been completely kept in the past, and it is difficult at this time to determine accurately the effect upon the revenue of the company of any rates fixed. Its present rates are, in many instances, results of experiment and are not so arranged as to result in equitable division of the cost between different classes of consumers. We believe, however, that although the exact result of any rate specified can not be determined, the present conditions should not be allowed to continue and that a reasonable readjustment of rates should be made at this time and that the company be directed to

keep more complete and accurate record of its operations with a view to making, at a later date, a final readjustment of rates.

In changing over the method of billing for service from flat to metered rates, applicant should stand the expense of the changes and not require its consumers so to do, except where material revision of consumers' wiring is required.

Applicant serves three large irrigation plants under special contracts, two of which were entered into in 1912 with the Montague Land and Irrigation Company, and the Big Springs Water Company, the rate being fixed on the basis of \$2.50 per acre per year of land irrigated. These contracts run for 49 years. The Lucerne Water Company is served under a special contract rate of approximately three-quarters of a cent per kilowatt hour, the contract having been entered into in 1916. It may appear from a complete investigation after the company has served under these contracts for a longer period, that a modification of the contract should be made, but we do not believe at this time, considering the extent of evidence presented, that any change should be made in these contracts.

#### ORDER.

California-Oregon Power Company having made application for authority to readjust its rates and charges for electric service, a public hearing having been held, the matter having been submitted and being now ready for decision,

*The Railroad Commission of the State of California hereby finds as a fact that the rates and charges heretofore made by California-Oregon Power Company, in so far as they differ from the rates and charges herein fixed, are unjust and unreasonable, and that the rates and charges set forth in the order herein are just and reasonable rates and charges for California-Oregon Power Company to make for service rendered on and after July 1, 1919, for flat rate service, and for bills rendered on meter readings taken on and after July 15, 1919, for meter service.*

Basing its order on the foregoing finding of fact and on the further findings of fact contained in the opinion which precedes this order,

*It is hereby ordered that California-Oregon Power Company be, and the same is hereby, authorized to charge and collect for electric service rendered, based upon meter readings taken on and after July 15, 1919, for metered service, and to apply to flat rate service rendered on and after July 1, 1919, the following rates and charges:*

## SCHEDULE No. 1.

*Residence and commercial lighting service:*

Applicable to all classes of lighting service.

*Territory:*

Applicable to entire territory served by company.

*Rate:*

First	10 kilowatt hours per meter per month-----	12 cents per kilowatt hour
Next	30 kilowatt hours per meter per month-----	10 cents per kilowatt hour
Next	60 kilowatt hours per meter per month-----	8 cents per kilowatt hour
Next	200 kilowatt hours per meter per month-----	6 cents per kilowatt hour
Next	1700 kilowatt hours per meter per month-----	4 cents per kilowatt hour
Over	2000 kilowatt hours per meter per month-----	3 cents per kilowatt hour

*Minimum charge:*

1. Within limits of incorporated cities and towns, \$1.00 per meter per month.
2. Outside limits of incorporated cities and towns, \$1.25 per meter per month.
3. Power:

When motors are operated under this schedule the minimum charge in addition to (1) or (2) above will be \$1.00 per horsepower per month for capacity in excess of 1 horsepower.

## SCHEDULE No. 2.

*Heating and cooking service:*

Applicable to electric heating, cooking and water heating service.

*Territory:*

Applicable to entire territory served by company.

*Rate:*

First	150 kilowatt hours per meter per month-----	3 cents per kilowatt hour
Next	350 kilowatt hours per meter per month-----	2 cents per kilowatt hour
Over	500 kilowatt hours per meter per month-----	1 cent per kilowatt hour

*Minimum charge:*

Fifty cents per kilowatt of active installed capacity per meter per month, but not less than \$2.50 per month.

*Special conditions:*

The active installed capacity is considered as the maximum capacity that may be connected and in use at any given instant.

## SCHEDULE No. 3.

*Combined heating, cooking and lighting service:*

Applicable to service requiring energy for lighting, together with heating, cooking or water heating purposes.

*Territory:*

Applicable to entire territory served by company.

*Rate:*

First	30 kilowatt hours per meter per month-----	10 cents per kilowatt hour
Next	120 kilowatt hours per meter per month-----	3 cents per kilowatt hour
Next	350 kilowatt hours per meter per month-----	2 cents per kilowatt hour
Over	500 kilowatt hours per meter per month-----	1 cent per kilowatt hour

*Minimum charge:*

Fifty cents per kilowatt of installed active heating and cooking capacity per meter per month, but not less than \$2.50 per month.

*Special conditions:*

The active installed capacity is considered as the maximum capacity that may be connected and in use at any given instant.

**SCHEDULE No. 4.***General power service:*

Applicable to service for industrial and agricultural purposes.

*Territory:*

Applicable to entire territory served by company.

*Rate:*

1. For connected loads of less than 5 horsepower:

First 150 kilowatt hours per meter per month-----6 cents per kilowatt hour

Next 350 kilowatt hours per meter per month-----3 cents per kilowatt hour

Over 500 kilowatt hours per meter per month-----1½ cents per kilowatt hour

- 2.

Consumption per horsepower per month	Rate per kilowatt hour for connected loads of				
	5 h.p. to 14 h.p.	15 h.p. to 39 h.p.	40 h.p. to 74 h.p.	75 h.p. to 149 h.p.	Over 150 h.p.
First 50 kilowatt hours-----	5 ¢	4 ¢	3½ ¢	3 ¢	2½ ¢
Next 100 kilowatt hours-----	2½ ¢	2 ¢	2 ¢	1½ ¢	1½ ¢
Over 150 kilowatt hours-----	1½ ¢	1 ¢	1 ¢	¾ ¢	¾ ¢

*Capacity of installation—minimum charge:*

1. 4 horsepower or less, \$15 per horsepower per year, but in no case less than \$30 per year, payable in equal monthly installments.

2. Over 4 horsepower:

First 4 horsepower of connected load per year-----\$15 00 per horsepower

Over 4 horsepower of connected load per year-----12 00 per horsepower

Payable in six equal installments for an irrigation season of six consecutive months.

*Special conditions:*

Any installation may obtain the rates for a larger size installation by guaranteeing the rates and minimum under the larger installation.

**SCHEDULE No. 5.***Optional power service:**Territory:*

Applicable to entire territory served by company.

*Rate:*

- a. Service charge:

\$12 per horsepower per year of connected load, but not less than \$60 per year.

- b. Energy charge:

First 1,000 kilowatt hours per month-----2 cents per kilowatt hour

Next 4,000 kilowatt hours per month-----1½ cents per kilowatt hour

Next 15,000 kilowatt hours per month-----1 cent per kilowatt hour

Over 20,000 kilowatt hours per month-----¾ cent per kilowatt hour

*Special conditions:*

- a. The total charge is the sum of the service and energy charges.

- b. The service charge to be paid in equal monthly payments.

## SCHEDULE No. 6.

*Lumber company and box factory service:*

Applicable to installations of 300 horsepower or over.

*Territory:*

Applicable to entire territory served by company.

*Rate:*

1. Energy furnished at primary distribution voltage:
 

First 25,000 kilowatt hours per meter per month	_____	\$0.01	per kilowatt hour
Next 150,000 kilowatt hours per meter per month	_____	.0075	per kilowatt hour
Over 175,000 kilowatt hours per meter per month	_____	.007	per kilowatt hour
2. Energy furnished at secondary distribution voltage:
 

First 25,000 kilowatt hours per meter per month	_____	\$0.01	per kilowatt hour
Over 25,000 kilowatt hours per meter per month	_____	.008	per kilowatt hour

*Minimum charge:*

First 200 kilowatts of maximum demand per month	_____	\$1 00	per kilowatt
Over 200 kilowatts of maximum demand per month	_____	80	per kilowatt

*Special conditions:*

- a. The maximum demand as herein referred to is the highest average demand measured in kilowatts over a period of 15 minutes and occurring during the month for which the bill is rendered, but in no case will the demand be less than 50 per cent of the installed transformer capacity.
- b. At the option of the company the maximum demand may be based on the average of a 20-minute reading, or on 80 per cent of the average of a 15-minute volt-ampere reading.

## SCHEDULE No. 7.

*Gold dredging service:*

Applicable to installations of 300 horsepower or over.

*Territory:*

Applicable to entire territory served by company.

*Rate:*

First 50,000 kilowatt hours per meter per month	_____	\$0.01	per kilowatt hour
Over 50,000 kilowatt hours per meter per month	_____	.007	per kilowatt hour

*Minimum charge:*

\$1 per horsepower of connected load per month.

*Special conditions:*

Energy will be supplied at the primary distribution voltage of 2300, 4000, 6000 or 11,000 volts, depending on locality in which service is desired.

*It is hereby further ordered* that California-Oregon Power Company be, and it is hereby, authorized to continue its present flat rates in effect to each consumer now being served at flat rates until it shall have installed a meter for such service, after which the metered rates herein authorized shall immediately become effective;

*It is further ordered* that California-Oregon Power Company shall file with this Commission a new schedule of rates within ten (10) days after the date of this order.

Dated at San Francisco, California, this tenth day of July, 1919.

## DECISION No. 6485.

JOHN P. GONNER AND LEON J. GONNER,

vs.

CROWN WATER COMPANY, A CORPORATION.

Case No. 1325.

Decided July 10, 1919.

*Frank R. Carrell*, for Complainants.*M. B. Butler*, for Defendant.

BY THE COMMISSION :

**OPINION.**

The complaint in the above-entitled proceeding alleges in effect that defendant, operating a water system near Perry, in Los Angeles County, and serving water to land owned by complainants, has failed to supply sufficient water for the proper irrigation of crops and has neglected to have its water system repaired and put in proper working condition. Complainants, therefore, ask that defendant be ordered to repair its pumping plant and distribution system, so that an adequate supply of water can be furnished to consumers.

Defendant's answer alleges in effect that its pumping plant broke down but that repairs have been made with all reasonable diligence, and that defendant is now able to supply all demands for water.

A public hearing was held in Los Angeles on June 11, 1919.

Testimony showed that the company's pumping equipment became worn out and defective, causing interruptions of supply to complainants. It was also shown that the old pump has since been replaced, shaft bearings have been rebabbited, several hundred feet of concrete pipe installed and the flume conveying water to complainants' land has been repaired.

It was also indicated that the concrete pipe line was not entirely covered with earth and was cracked at one point. These defects should be immediately repaired.

**ORDER.**

John P. and Leon J. Gonner having made complaint in the above-entitled proceeding, a public hearing having been held thereon, and being fully informed in the matter,

*It is hereby found as a fact* that the water supply furnished complainants by defendant has been inadequate and insufficient. Basing the order upon the foregoing finding of fact and upon the findings contained in the preceding opinion,

*It is hereby ordered* that Crown Water Company be and the same is hereby directed to immediately repair its concrete pipe line and to entirely cover the same with earth,

*And it is hereby further ordered* that Crown Water Company furnish complainants herein with an ample and adequate supply of water.

Dated at San Francisco, California, this tenth day of July, 1919.

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DECISION No. 6489.

IN THE MATTER OF THE APPLICATION OF PACIFIC STEAMSHIP COMPANY, A CORPORATION, AND OF THE SAN DIEGO AND ARIZONA RAILWAY COMPANY, A CORPORATION, FOR AN ORDER APPROVING A PROPOSED AGREEMENT WHEREBY THE RAILWAY COMPANY UNDERTAKES THE OPERATION OF CERTAIN SWITCHING SERVICE ON SPUR TRACKS IN THE NEIGHBORHOOD OF FOURTH AND FIFTH STREETS IN THE CITY OF SAN DIEGO, CALIFORNIA, HERETOFORE PERFORMED BY THE STEAMSHIP COMPANY UNDER THE TERMS AND CONDITIONS SET FORTH IN SAID PROPOSED AGREEMENT.

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Application No. 4728.

Decided July 11, 1919.      --

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BY THE COMMISSION.

**ORDER.**

Pacific Steamship Company having asked permission to sell, and San Diego and Arizona Railway Company to purchase, at a cost of seven thousand dollars, certain spur tracks located in the city of San Diego and described in the petition herein, and it appearing that the purchasing company can operate over said spur tracks with greater efficiency and satisfaction to all concerned than the Pacific Steamship Company, which company is primarily a steamship company and finds it inconvenient and onerous to perform a railway switching service, and it further appearing that the various industries or places of business situated along said spur tracks assent to their transfer, and the Railroad Commission being of the opinion that this is not a matter on which a hearing is necessary and that the application should be granted, now, therefore,

*It is hereby ordered* that Pacific Steamship Company be, and it is hereby, authorized to sell, and San Diego and Arizona Railway Company to purchase, on or before September 1, 1919, the spur tracks and properties referred to in the petition herein and exhibits attached thereto, said sale and purchase to be made pursuant to the terms and conditions of Exhibit "C" attached to the petition herein; provided,



(a) That the authority herein granted will not be interpreted as a finding of value of said spur tracks and properties for any purpose other than the transfer herein authorized; and

(b) That within thirty days after the sale and transfer of the spur tracks and properties a certified copy of the instrument of conveyance be filed with the Railroad Commission.

Dated at San Francisco, California, this eleventh day of July, 1919.

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DECISION No. 6490.

IN THE MATTER OF THE APPLICATION OF CALIFORNIA-MICHIGAN  
LAND AND WATER COMPANY, FOR AN INCREASE IN WATER  
RATES.

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Application No. 4327.

Decided July 11, 1919.

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**WATER UTILITIES—OPERATING EXPENSES—EXCESSIVE SALARIES.**—A small water utility serving approximately 175 consumers has no need for two directing heads. A reasonable proportion of such expense should be borne by the real estate division of applicant's business, the water consumers being chargeable only with an overhead expense directly attributable to the water business.

Increased schedule of rates established to become effective within twenty days.

*Gibson, Dunn & Crutcher*, by *S. M. Haskins* and *R. C. Goodspeed*, for Applicant.  
*Lewis Cruickshank*, for Consumers.

BY THE COMMISSION.

**OPINION.**

California-Michigan Land and Water Company, applicant herein, is applying in this proceeding for authority to increase its rates charged for water.

The application alleges, in effect, that applicant is a corporation organized under the laws of this state; that among other things, it owns and operates a public utility water system which delivers water for domestic and irrigation uses to the Michillinda Tract and Tract No. 1703 in East Pasadena, and the district known as South Santa Anita, all in Los Angeles County; that the present rates do not yield income sufficient to meet operating expenses, depreciation and interest on the fair value of the water plant; that the rate schedule does not produce the revenue which the Railroad Commission estimated it would produce; and that the necessary maintenance and operation costs are substantially higher than at the time the present rate schedule was established. Wherefore, applicant asks for an order authorizing it to increase its rates so that it may obtain an income sufficient to meet all reasonable charges and yield some profit.

The present rate schedule was established by this Commission in its Decision No. 5119, *Chas. Sherman et al. vs. California-Michigan Land & Water Company*, Case No. 1068, and is as follows:

600 cubic feet or less, per month, \$1; between 600 and 1600 cubic feet, 10 cents per 100 cubic feet; over 1600 cubic feet, 3½ cents per 100 cubic feet.

California-Michigan Land and Water Company was organized under the laws of this state and was incorporated January 20, 1911, for the purpose, among other things, of buying and selling lands, and acquiring, constructing and operating domestic and irrigation water systems. In 1911, applicant purchased what is now known as the Michillinda Tract, together with certain wells, reservoirs and other equipment. This tract was subdivided and placed on the market and in connection therewith, a water system was constructed, primarily for the purpose of selling water to purchasers of lots. Water was first delivered early in 1913. This tract is still being marketed, and the area served with water is still in its development stage.

This Commission, in its Decision No. 407, *In the Matter of the Application of the California-Michigan Land and Water Company, a Corporation*, for permission to exercise franchise, and for extensions, Application No. 273, Vol. 2, Opinions and Orders Railroad Commission of California, p. 31, permitted applicant to extend its system and deliver water to the so-called Crib-Brodek Tract, also known as South Santa Anita. A six-inch main, and later a ten-inch main, were constructed and the distribution system in South Santa Anita was purchased from the Crib-Brodek Light and Water Company for the sum of \$3,500. Water is now being delivered to approximately 160 consumers in South Santa Anita, and 14 in Michillinda and Tract No. 1703, East Pasadena.

The water supply for this system is obtained from six wells located on the northerly part of the Michillinda Tract, and is pumped into concrete reservoirs, whence it is distributed throughout the area served.

At the hearing of this application, Mr. Edward R. Bowen, engineer for applicant, submitted an estimated reproduction cost of physical plant of \$69,556.24, and a sinking fund annuity of \$1,568.76. To this reproduction cost he added an estimated value of real estate, water rights and intangibles, and arrived at a total estimated value of \$221,612. The Commission's engineers estimated the cost new of the physical plant to be \$46,411, and replacement fund \$801.

Inasmuch as a rate schedule established to produce a sum sufficient to pay interest upon the cost new of the property, would be so high as to require the consumers to pay more than the service is reasonably worth, it is unnecessary to discuss in detail the appraisements submitted.

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Details of past operating expenses and estimated future expense were submitted by Mr. Bowen and by the Commission's engineers. The following tabulation shows the totals of operating expense and revenue for the past four years:

Year	Operating expense	Revenue
1915 -----	\$1,069 15	\$5,753 08
1916 -----	4,179 61	5,789 84
1917 -----	4,258 48	7,093 08
1918 -----	6,158 17	5,883 10

Mr. Bowen also submitted in Applicant's Exhibit No. 3, an estimate of operating expenses for 1919 totalling \$5,391. Included in this estimate is the sum of \$1,240 for salary to Mr. Goodspeed, manager of the company. In addition to a manager, there is employed a superintendent, who operates the plant. It is uneconomical to employ two directing heads for a plant serving so few consumers, and in view of the fact that this company is not only a water utility, but is also operating as a real estate concern, it is unfair to the consumers to ask that they be burdened with so great an overhead expense. The operation of a system such as this does not require this expenditure. Owing to increased cost of material and labor, there is a greater necessary expenditure than occurred prior to 1918, which should be cared for in establishing rates. Basing future operating expenses on the cost during 1918, modified by averaging over a series of years those expenditures which do not recur annually in like amount, and such increases as will occur during 1919, it appears that a fair operating expense should not exceed \$4,400 annually.

The evidence shows that the Michillinda Tract, which is the tract now being marketed by applicant in its real estate functions, is still in its development stage. The system as designed and constructed, was intended to deliver water to a residence district. In the tracts now being marketed by the California-Michigan Land and Water Company, there are some 225 lots and only fourteen consumers. Clearly, therefore, the tract is still in its infancy. On the other hand, the South Santa Anita Tract is practically fully developed as a citrus fruit producing district, the ranches being approximately five acres in size. Although there is a considerable portion of the Michillinda Tract under irrigation at present, it would be unfair to make the consumers under the South Santa Anita Tract bear the burden for a system designed to serve a different character of service in the Michillinda Tract. As before stated herein, this plant prior to 1913, delivered water only to the tracts marketed by applicant. At that time this Commission

authorized an extension into the South Santa Anita Tract, with the express provision that the rate to be charged would not exceed \$2 per month for 1333½ cubic feet or less, and 3¼ cents per 100 cubic feet for all water used in excess.

A rate schedule which would produce interest upon the cost new, or the original cost of this system, would be unfair to the consumers. However, costs of operation have increased, and excessive drought has necessitated changes and improvements in the system. Therefore, applicant is entitled to have returned to it a revenue equal to what the service is reasonably worth, in view of these increased costs.

After giving careful consideration to all of the elements entering herein, among which are, cost of plant, value of plant as used, the history of the plant, and the reasonable value of the service to the consumers, it is found as a fact that the following rate schedule is fair and reasonable:

*Monthly minimum:*

¾-inch and 1-inch meters-----	\$1 00
1-inch meters -----	1 50
1½-inch meters -----	2 00
2-inch meters and larger-----	2 50

*Quantity rates:*

For use between 0 and 2000 cubic feet-----	20 cents per 100 cubic feet
For use over 2000 cubic feet-----	4 cents per 100 cubic feet

Based upon water consumption for 1918, submitted at the hearing, it is estimated that this rate schedule will produce at least \$8,000 annually. The annual charges, exclusive of interest, are at least \$5,200, leaving a balance of \$2,800 to apply on interest. This capitalized at 6 per cent will return interest on the sum of \$46,600.

Under the rates herein established, the consumers will pay approximately a like amount as is paid for similar service by consumers in other localities.

**ORDER.**

California-Michigan Land and Water Company, having applied to this Commission for authority to increase its rates, a public hearing having been held, and the Commission being fully apprised in the premises,

*It is hereby found as a fact* that the rates now charged by the California-Michigan Land and Water Company, in so far as they differ from the rates herein established, are unjust, unreasonable and unremunerative, and that the rates herein established are just and reasonable rates, and basing its order upon the foregoing finding of fact and upon the findings of fact in the opinion preceding this order,

*It is hereby ordered* that California-Michigan Land and Water Company be, and it is hereby, authorized and directed to file with this

Commission within twenty (20) days from the date of this order, and thereafter charge the following rate schedule for all meter readings subsequent to the date of filing:

*Monthly minimum:*

½-inch and ¾-inch meters.....	\$1 00
1-inch meters .....	1 50
1½-inch meters .....	2 00
2-inch meters and larger.....	2 50

*Quantity rates:*

For use between 0 and 2000 cubic feet	20 cents per 100 cubic feet
For use over 2000 cubic feet.....	4 cents per 100 cubic feet

*It is hereby further ordered* that California-Michigan Land and Water Company file with this Commission for its approval, amended rules and regulations, and shall put the same into effect as amended and approved by this Commission.

Dated at San Francisco, California, this eleventh day of July, 1919.

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DECISION No. 6491.

IN THE MATTER OF THE APPLICATION OF MODESTO GAS COMPANY,  
A CORPORATION, FOR AN ORDER AUTHORIZING THE ISSUE OF  
BONDS.

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Application No. 4651.

Decided July 12, 1919.

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Applicant authorized to issue \$65,000 face value of its first mortgage bonds to be sold at not less than 90, proceeds thereof to be used for the purchase and installation of additional generating and storage equipment.

*Frank A. Cressey, Jr.,* for Applicant.

*W. H. Donahue,* for Mary E. McCarthy.

BRUNDIGE, *Commissioner.*

**OPINION.**

Modesto Gas Company asks permission to issue and sell at not less than 90 per cent of their face value and accrued interest \$65,000 of first mortgage 6 per cent bonds due January 1, 1945.

The company intends to use the proceeds to pay for additions and betterments, the total cost of which it estimates in Exhibit "B," attached to the petition, as follows:

Holder .....	\$45,000 00
200-horsepower boiler .....	4,000 00
Setting .....	3,000 00
Exhaustor .....	1,200 00
Purifiers .....	3,000 00
Generating apparatus .....	12,000 00
	<hr/>
	\$68,200 00

The record clearly shows that applicant should proceed at once with the construction and installation of the improvements. Applicant's plant as it now exists has a generating capacity of 200,000 cubic feet per 24 hours. Its gas holder has a capacity of 70,000 cubic feet. The testimony shows that during last December the company had a peak demand of 190,000 cubic feet per day, while its generating capacity is limited to 200,000 cubic feet per day. To take care of increasing business and render proper service at all times, it is imperative that applicant increase both the holder and generating capacity of its plant. The new holder, which applicant intends to build, will have a capacity of 300,000 cubic feet, and the new generating equipment a capacity of 30,000 cubic feet per hour. The construction of these improvements may obviate the necessity of operating the plant at all hours during the day.

Modesto Gas Company reports assets and liabilities as of December 31, 1918, as follows:

<i>Asset Accounts.</i>	
Fixed capital .....	\$182,867 25
Cash .....	500 00
Deposits .....	1,137 36
Accounts receivable .....	13,257 61
Due from consumers and agents .....	\$13,062 95
Miscellaneous Accounts Receivable .....	194 66
Other current assets .....	266 70
Liberty bonds .....	10,595 00
Materials and supplies .....	7,221 15
Unamortized discount on bonds .....	5,033 80
Other suspense .....	552 00
Total asset accounts .....	\$221,430 87
<i>Liability Accounts.</i>	
Capital stock .....	\$100,000 00
Funded debt .....	55,000 00
Notes payable .....	5,000 04
Accounts payable .....	5,000 04
Consumers deposits .....	\$1,177 50
Miscellaneous accounts payable .....	3,822 56
Reserve for accrued depreciation .....	15,795 20
Corporate surplus unappropriated .....	45,575 61
Total liability accounts .....	\$221,430 87

Applicant's report for the year ending December 31, 1918, shows that it had 1420 consumers in 1918 and 1308 consumers in 1917. In addition, the company's report shows 106 municipal street lighting fixtures. During 1917, the company after paying operating expenses, interest, taxes and providing for depreciation reported a net surplus of \$13,085.01, and during 1918 a net surplus of \$14,149.42. The surplus earnings of the company during 1917 and 1918 have been more

than adequate to pay 6 per cent interest on \$65,000 of bonds which applicant now desires authority to issue.

W. H. Donahue, representing Mary E. McCarthy, appeared at the hearing and questioned the wisdom of installing a 300,000-cubic-foot holder and increasing the generating capacity of the plant to the extent indicated. Following the hearing, W. H. Donahue made an examination of applicant's plant and the territory in which applicant is operating and has advised the Commission that he withdrew all objections.

I herewith submit the following form of order:

#### ORDER.

Modesto Gas Company having applied to the Railroad Commission for permission to issue \$65,000 of its first mortgage 6 per cent bonds due January, 1945, a public hearing having been held and the Commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose or purposes specified in the order, and that the expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income,

*It is hereby ordered* that Modesto Gas Company be, and it is hereby, granted authority to issue and sell at not less than 90 per cent of their face value plus accrued interest \$65,000 of its first mortgage 6 per cent bonds due January 1, 1945, and use the proceeds obtained from the sale of said bonds to pay in whole or in part for the extensions, additions and betterments described in Exhibit "B," attached to the petition herein; provided,

(1) That Modesto Gas Company will keep such record of the issue and sale of the bonds herein authorized and of the disposition of the proceeds, as will enable it to file on or before the twenty-fifth day of each month a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

(2) That the authority herein granted will not become effective until applicant has paid the fee prescribed by the Public Utilities Act.

(3) That the authority herein granted will apply only to such bonds as may be issued on or before December 15, 1919.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twelfth day of July, 1919.

## DECISION No. 6492.

IN THE MATTER OF THE APPLICATION OF NORTHERN CALIFORNIA  
WAREHOUSE COMPANY, A CORPORATION, FOR AN ORDER  
AUTHORIZING THE ISSUE OF STOCK.

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Application No. 4681.

Decided July 12, 1919.

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Applicant authorized to issue \$10,000 face value of capital stock at par in exchange for certain warehouse leases, it being intended to segregate the public utility warehouse business from various private interests.

*Walter Rothschild*, for Applicant.

MARTIN, *Commissioner*.

## OPINION.

Northern California Warehouse Company asks permission to issue, at par, \$10,000 of its common capital stock.

This application involves the segregation of the public utility and nonpublic utility business of Rosenberg Brothers and Company. The record shows that Rosenberg Brothers and Company are a large firm engaged in a number of lines of business, principally dried fruits, rice and beans, and operate a number of warehouses in connection with their rice mills, and in some cases warehouses not connected with rice mills; that the warehouses are located at Gridley, Biggs and San Francisco; that an additional warehouse connected with a rice mill is under construction at Colusa; that the warehouses have a floor space of about 125,000 square feet; that from time to time the space in these warehouses is not required by Rosenberg Brothers and Company; that Rosenberg Brothers and Company have been in the habit heretofore of allowing such space as they might not need to be used for public warehouse purposes; that until some time in June the business of Rosenberg Brothers and Company was operated by a partnership composed of three members, but towards the latter part of June was incorporated and that the Commissioner of Corporations has authorized the corporation to issue to the partnership in exchange for its properties \$4,000,000 of preferred and \$4,200,000 of common stock.

To segregate the public utility from the nonpublic utility business, Rosenberg Brothers and Company leased for a period of five years the surplus warehouse space to B. F. Stenbridge, an employee, who in turn has agreed to assign the lease to the Northern California Warehouse Company, applicant herein, in exchange for \$9,500 of stock, such stock to be delivered by B. F. Stenbridge to Rosenberg Brothers and Company. In addition to the \$9,500 of stock, applicant asks permission to issue \$500 of stock for the purpose of qualifying directors.



The business of applicant will for all intents and purposes be a subsidiary business of Rosenberg Brothers and Company. Whatever capital will be needed from time to time will be supplied by Rosenberg Brothers and Company, who will also permit applicant to use the equipment necessary to handle grain and other commodities which may be offered for storage.

II. R. Higgins, traffic manager of Rosenberg Brothers and Company, testified that because of varying conditions it would be impractical to allocate a certain amount of space for a certain length of time to the warehouse business. Ordinarily from June to October, he reports, about 75 per cent of the space in the various warehouses would be available for storage purposes, while during the rice season, October to June, Rosenberg Brothers and Company need practically all of the space in the warehouses to take care of their own business.

There is no claim made by counsel for applicant that the granting of this application fixes a value for the lease under which applicant intends to operate, for rate-making purposes. The primary object of this application is the organization of a subsidiary corporation of Rosenberg Brothers and Company to conduct the public utility warehouse business with funds advanced by Rosenberg Brothers and Company.

I herewith submit the following form of order.

#### ORDER.

Northern California Warehouse Company having filed with the Railroad Commission an application to issue stock, a public hearing having been held and the Commission being of the opinion that this application should be granted,

*It is hereby ordered* that Northern California Warehouse Company be, and it is hereby, granted authority to issue, and sell at not less than par, \$10,000 of its common capital stock for the purposes set forth in the petition herein; provided,

1. That the authority herein granted will not be interpreted as a finding of value of the lease to be assigned by B. F. Stembridge to applicant, for rate-fixing or any purpose other than that of the issue of stock herein authorized.

2. That Northern California Warehouse Company will keep such record of the issue and sale of the stock herein authorized and of the disposition of the proceeds as will enable it to file on or before the twenty-fifth day of each month a verified report, as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable is made a part of this order.

3. That the authority herein granted will apply only to such stock as may be issued on or before October 1, 1919.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twelfth day of July, 1919.

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DECISION No. 6493.

IN THE MATTER OF THE APPLICATION OF RIVER BEND GAS AND WATER COMPANY TO ISSUE AND SELL BONDS AND STOCK.

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Application No. 4648.

Decided July 16, 1919.

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Applicant authorized to issue \$106,640 par value of stock and \$25,000 face value of bonds, the bonds and \$91,640 par value of stock to be issued to Parlier Winery, covering advances made, the balance of stock to be sold at not less than \$0, proceeds to be used for working capital.

*Chaffee E. Hall*, for Applicant.

BRUNDIGE, *Commissioner*.

**OPINION.**

River Bend Gas and Water Company asks permission to issue \$106,640 of stock and \$25,000 of 6 per cent bonds due January 1, 1933, for the purposes hereinafter indicated.

River Bend Gas and Water Company was organized on or about April 2, 1915. The company owns and operates an artificial gas plant located at Dinuba which supplies gas to the cities of Dinuba, Parlier, Reedley, Kingsburg and contiguous territory. It also owns and operates a water plant at Parlier. In its annual report for the year ended December 31, 1918, the company reports \$51,296.21 received from the sale of gas and \$3,209.25 from the sale of water.

Applicant reports \$81,777 of stock and \$50,000 of bonds outstanding on December 31, 1918. All of the stock and bonds are, in effect, owned by Parlier Winery and were accepted by the winery in liquidation for cash advances up to August 1, 1916. The stock was taken at 90 and the bonds at par. Since August 1, 1916, and up to January 1, 1919, Parlier Winery, according to the testimony herein, advanced to applicant the sum of \$87,062.76. The testimony further shows that applicant has expended the \$87,062.76 to pay for additions and betterments to its plant and properties. In payment for these advances applicant asks permission to issue \$91,640 of stock and \$25,000 of bonds. In view of the fact that the Parlier Winery has accepted the stock heretofore issued by applicant at 90 and the bonds at par, and that it has since advanced to applicant moneys necessary to enable applicant to

give adequate and satisfactory service, I believe that the Commission should authorize applicant to issue \$91,640 of stock and \$25,000 of bonds to Parlier Winery in liquidation of the advances made by the winery from August 1, 1916, to January 1, 1919.

The \$106,640 of stock, referred to above, includes \$15,000 of stock which applicant intends to sell at 80, to Parlier Winery in order to obtain funds for working capital. The conditions under which applicant is operating justify, in my opinion, the issue of the \$15,000 of stock for the purpose of providing applicant with funds for working capital.

In a recent decision, the Commission readjusted applicant's rates and in so doing, used a rate base of \$210,000. The rates fixed by the Commission are intended to yield a return of something above 6 per cent, an amount which will be more than sufficient to pay interest on the \$50,000 of bonds now outstanding and the \$25,000 of bonds herein authorized to be issued. In the rate decision the Commission refers to applicant's investment and the conditions under which it is operating.

I herewith submit the following form of order:

#### ORDER.

River Bend Gas and Water Company having applied to the Railroad Commission for permission to issue stock and bonds, a public hearing having been held, and the Commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose or purposes specified in the order, and that the expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income,

*It is hereby ordered* that River Bend Gas and Water Company be, and it is hereby, authorized to issue \$106,640 of stock and \$25,000 of 6 per cent bonds due January 1, 1933, subject to the following conditions:

1. The \$25,000 of bonds, and \$91,640 of the stock herein authorized to be issued, shall be delivered to Parlier Winery as payment for advances by Parlier Winery to applicant from August 1, 1916, to January 1, 1919.

2. Stock in the amount of \$15,000, the issue of which is herein authorized, shall be sold by applicant for not less than 80 per cent of its par value and the proceeds used by applicant for working capital.

3. River Bend Gas and Water Company shall keep such record of the issue and sale of the bonds and stock herein authorized and of the disposition of the proceeds, as will enable it to file on or before the twenty-fifth day of each month a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

4. The authority herein granted will not become effective until applicant has paid the fee prescribed in the Public Utilities Act.

5. The authority herein granted will apply only to such bonds and stock as may be issued on or before December 15, 1919.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this sixteenth day of July, 1919.

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DECISION No. 6496.

IN THE MATTER OF THE APPLICATION OF SOUTHERN CALIFORNIA EDISON COMPANY FOR ORDER AUTHORIZING APPLICANT TO GUARANTEE BONDS OF SHAVER LAKE LUMBER COMPANY, A CORPORATION.

Application No. 4720.

IN THE MATTER OF THE APPLICATION OF SOUTHERN CALIFORNIA EDISON COMPANY FOR A CERTIFICATE THAT PRESENT AND FUTURE PUBLIC CONVENIENCE AND NECESSITY REQUIRE THE ACQUISITION, FOR PURPOSES OF A RESERVOIR SITE AND HYDRO-ELECTRIC POWER DEVELOPMENT BY APPLICANT, OF CERTAIN PROPERTIES, AND APPURTENANCES AND ATTACHMENTS, NOW OWNED BY FRESNO FLUME AND LUMBER COMPANY AND SITUATED IN FRESNO COUNTY, CALIFORNIA.

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Application No. 4724.

Decided July 16, 1919.

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Applicant granted authority to guarantee an issuance of \$1,150,000 face value of bonds of the Shaver Lake Lumber Company in connection with the transfer of certain timber properties whereby the electric utility acquires a reservoir site which can be advantageously used in the development of its Big Creek hydroelectric properties. A certificate is also issued permitting acquisition and development of said properties.

*Roy V. Reppy*, for Applicant.

*MARTIN*, Commissioner.

**OPINION.**

The above-entitled applications were consolidated for hearing and decision.

In Application No. 4720, the Southern California Edison Company asks permission to guarantee the payment of \$1,150,000 of 5 per cent serial bonds of Shaver Lake Lumber Company.

In Application No. 4724, the Southern California Edison Company asks the Railroad Commission to declare that present and future public convenience and necessity require the acquisition, for purposes of a reservoir site and in connection with hydroelectric power development, by applicant, of certain properties owned by Fresno Flume and Lumber

Company and more particularly described in the contract attached to the petition in Application No. 4720.

Southern California Edison Company reports that it has agreed to purchase at a cost of \$1,400,000 all the properties of Fresno Flume and Lumber Company, located in Fresno County. The properties consist of a reservoir site, water, water rights, timber lands, an abandoned sawmill and other properties. The Edison company is interested primarily in the acquisition of the reservoir site, water and water rights. The testimony shows that the company was unable to acquire these without at the same time purchasing the timber lands and other properties. The company intends to cause to be organized the Shaver Lake Lumber Company with an authorized stock issue of \$1,200,000, all of which, when the transaction is finally completed, will be owned by the Edison company. The reservoir site, water and water rights, will be transferred by the Fresno Flume and Lumber Company to the Shaver Lake Lumber Company, and by the Lumber company to the Edison company. The timber lands and other property will be retained by the Shaver Lake Lumber Company.

Fresno Flume and Lumber Company is to receive \$1,400,000 for its properties. Of the purchase price \$150,000 will be paid by the Edison company in cash, \$100,000 in the form of two \$50,000 5 per cent notes of the Edison company, one due in six months, the other in twelve months, and \$1,150,000 in Shaver Lake Lumber Company 5 per cent serial bonds, \$250,000 of which are payable January 15, 1921, \$250,000 on January 15, 1922, \$250,000 on January 15, 1923, \$250,000 on January 15, 1924, and \$150,000 on January 15, 1925.

The Edison company asks permission to guarantee the payment of the \$1,150,000 of Shaver Lake Lumber Company bonds. Representatives of the company estimate the value of the reservoir site and properties which the Edison company can use in connection with its hydroelectric development, at \$1,000,000, and the value of the uncut timber at \$400,000. The Shaver Lake Lumber Company will have no income except from the sale of its timber. The record shows that the sale of the timber during the life of the bonds is problematical. However, the Edison company will own all of the stock of the Shaver Lake Lumber Company and in fact expects to pay that company's bonds when they mature.

The manner in which this transaction is being carried out will result in a segregation of the properties of Fresno Flume and Lumber Company. The Edison company, as said, will acquire the reservoir site and properties which it can use in its hydroelectric development plans, while the Shaver Lake Lumber Company will secure and retain title to the timber lands and all other property.

R. H. Ballard, vice president of the Edison company, testified that the company intends to begin at once the construction of a dam at Shaver Lake which will impound 50,000 acre-feet of water, and construct the necessary tunnels and other conduits to bring the water to the No. 2 power plant at Big Creek. The water will pass through this plant without necessitating any increase in the machinery or in the power house, nor need there be any increase in the transmission lines of the Edison company to make full use of the water. The record clearly shows that the properties which the Edison company intends to acquire can advantageously and economically be utilized in connection with the company's present and prospective developments on Big Creek and vicinity.

At the hearing representatives of the company requested the Commission to make a definite finding as to the value of the reservoir site and other properties which the Edison company will acquire and intend to use in connection with its hydroelectric development. The company places a value of \$1,000,000 upon these properties and submitted some evidence supporting such appraisal. I do not believe that it is necessary for the Commission in this proceeding to definitely find a value for these properties nor should an order granting the applications be interpreted as a finding of value.

The record shows that Shaver Lake Lumber Company has as yet not received from the Commissioner of Corporations an order authorizing the issue of \$1,200,000 of stock and \$1,150,000 of bonds. The obtaining of such an order is necessarily a condition precedent to the effective date of the authority herein granted.

I herewith submit the following form of order:

#### ORDER.

Southern California Edison Company having applied to the Railroad Commission for permission to guarantee the payment of bonds of Shaver Lake Lumber Company and to purchase certain properties now owned by the Fresno Flume and Lumber Company, a public hearing having been held and the Commission being of the opinion that the above-entitled applications should be granted, subject to the conditions of this order,

*It is hereby ordered* that Southern California Edison Company be, and it is hereby, granted authority to guarantee the payment of \$1,150,000 of 5 per cent serial bonds of Shaver Lake Lumber Company.

*The Railroad Commission hereby declares* that present and future public convenience and necessity require the acquisition for purposes of a reservoir site and in connection with hydroelectric power development by Southern California Edison Company of certain properties now owned by Fresno Flume and Lumber Company and more particu-

larly described in the contract attached to the petition in Application No. 4720; provided,

1. That the authority granted in this order will not be interpreted as a finding of value for the properties which the Southern California Edison Company is herein authorized to acquire.

2. That the authority herein granted will not become effective until Southern California Edison Company has filed with the Railroad Commission a copy of the order of the Commissioner of Corporations authorizing Shaver Lake Lumber Company to issue the stock and bonds referred to in the petition herein and in exhibits attached thereto.

3. That Southern California Edison Company will file with the Railroad Commission within thirty days after the acquisition of the properties herein authorized, a description of the properties, and a verified copy of the instrument of conveyance.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this sixteenth day of July, 1919.

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DECISION No. 6500.

IN THE MATTER OF THE APPLICATION OF THE RIVER BEND GAS AND WATER COMPANY FOR AN ORDER AUTHORIZING AN INCREASE IN GAS RATES.

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Application No. 3552.

(Second Supplemental Application.)

Decided July 16, 1919.

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**OPERATING EXPENSES—GAS PLANTS.**—Due to the increase in cost of fuel oil, labor, supplies, etc., it is essential that gas plants conduct their operations in a most economical manner. A number of recommendations made in the present instance whereby applicant may materially reduce operating expenses.

**FUEL OIL—EXCESSIVE USE OR LOSS OF.**—The cost of fuel oil lost through circumstances within the control of the utility, and the excessive use of oil through maintenance of inadequate equipment is not permitted to be included in operating expenses payable through rates by consumers, but should be borne by the utility.

Revised schedule of rates established to become effective for meter readings made on and after July 18, 1919.

*Chaffee E. Hall*, for Applicant.

*Andrie Erikson*, for city of Kingsburg.

*BRUNDIGE*, Commissioner.

**OPINION.**

In this proceeding the River Bend Gas and Water Company, hereinafter referred to as applicant, again asks for authority to increase its rates and charges for gas.

A hearing was held at Kingsburg before Commissioner Brundige on June 25, 1919, at which time evidence was introduced and the matter submitted.

Applicant is engaged in the manufacture and distribution of gas as a public utility in the cities of Dinuba, Reedley and Kingsburg, and supplies the town of Parlier with both gas and water. It owns and operates a gas generating plant located at Dinuba from which gas is delivered to the above-mentioned communities, through a high pressure transmission system.

Applicant's rates for gas service were first reviewed by this Commission on March 14, 1918, and an increase was authorized under Decision No. 5328, dated April 20, 1918. On account of further advances in the cost of oil used at its manufacturing plant, the rates, as authorized, were found to be unremunerative, and a new schedule of gas rates was therefore authorized for the Dinuba, Reedley and Parlier districts by Decision No. 5864, dated October 25, 1918, and for the Kingsburg territory by Decision No. 5944, dated December 5, 1918.

Applicant now alleges that notwithstanding the increased rates charged since October and December 1918, and in spite of its efforts toward continued efficient and economical operations, its gas business is still conducted at a loss. During the months of January and February, 1919, a net operating loss, amounting to \$600.52 was incurred, and during March and April, 1919, the loss was \$1.094; with a continuance of present rates and costs, the total loss for the year 1919 will be at least \$5,600. Applicant now asks for relief in the form of higher rates, such as will permit it to earn sufficient for operating expenses, depreciation and a fair return upon its investment.

During the year 1918, applicant's gas sales amounted to 39,391,500 cubic feet, in the manufacture of which 10,282 barrels of oil were used. Fuel oil used under boilers is reported at 4,845 barrels for the year.

For the first 4 months of 1919, gas sales are reported as 14,384,000 cubic feet, oil used in gas manufacture 3,978 barrels, and fuel oil at 1,985 barrels. On this basis the total oil used for gas manufacture and for fuel amounts to 17.4 gallons per thousand cubic feet of gas sold.

The following table gives a resume of applicant's gas operations from January 1, 1917, to date with an estimate for the year beginning July 1, 1919:



TABLE I.

*River Bend Gas and Water Company, Comparative Operating Statistics—Gas.*

Item	1917	1918	Four months, 1919	Estimated: July 1, 1919, to July 1, 1920
Average number of consumers.....	1,247	1,423	1,445	1,500
Total sales per 1,000 cubic feet.....	33,000.0	39,391.5	14,384.0	42,000.0
Barrels of oil used.....	14,700	15,127	5,963	15,000
Average cost of oil per barrel.....	\$0.81	\$1.77	\$2.05	\$1.77
Sales per consumer, cubic feet.....	26,512	27,680	9,954	28,000
Gallons oil per 1,000 sold.....	18.6	16.1	17.4	15.0
Cost of oil per 1,000 sold.....	\$0.358	\$0.678	\$0.819	\$0.632
Average revenue per 1,000 cubic feet sold.....	\$1.08	\$1.28	\$1.53	-----

A discrepancy as to the amount of oil used during the year 1918 was discovered in the annual report of applicant to the Commission, the difference between the oil purchased and that reported as used at the manufacturing plant, amounted to some 2350 barrels, this was found to be due to the large amount of oil in storage on January 1, 1919, whereas on January 1, 1918, there was practically no oil on hand. In other words, the total oil purchased was reported instead of the oil used, no account having been taken of the amount in storage. Another fact brought to light was the loss of a large amount of oil in 1918, due to leaks in the oil storage tank and to accidents in the unloading of a tank car.

An analysis of production expense during the first four months of 1919 shows that the oil used in gas manufacture for this period was but 11.6 gallons per thousand cubic feet sold, whereas the oil used as fuel averaged 5.8 gallons, or exactly one-half as much as was used in the direct manufacture of the gas.

This wasteful operation of the steam plant is partly due to insufficient boiler capacity. The continuous use of a large steam driven gas compressor, operating twenty-four hours daily, requires the maintenance of 100 pounds of steam pressure at all times. Proper combustion of the lampblack fuel is not obtained, due to the shape of the fire box and the reduced grate area, which is too small for satisfactory combustion of the fuel used.

It has been necessary, therefore, to reinforce the fires by the addition of oil, which causes considerable waste, and a very low efficiency in the use of the combined fuels results. In order to keep up a hot fire with lampblack fuel, excess air is used as a draft. More air is often admitted to the boiler setting than is required, which carries the heat out through the stack instead of into the water.

Applicant operates three boilers rated at 80 horsepower, 45 horsepower and 20 horsepower each. The largest boiler is generally used;

however, during periods of shutdown for repairs, or for cleaning tubes, etc., the two small units are operated, using oil as fuel.

Under full load, the plant requires about 105 horsepower, although the average load on the boilers is not over 75 horsepower. In order to reduce the cost of operation and avoid overloading of the boilers, applicant should install an additional boiler of at least 125 horsepower rating, which extra capacity is necessary for the proper combustion of lampblack without the costly addition of fuel oil.

Under the present method of operation, it is necessary to employ at the plant two gas-makers, two firemen and one helper. The gas storage capacity, being only 40,000 cubic feet, necessitates the continuous operation of the gas generators from 6 a.m. to 10 p.m. Another man is on duty all night, keeping up fires and maintaining the required pressures on the transmission mains.

The compressor must be operated continuously to provide for street lighting and a few all night consumers. Applicant could reduce its expense for labor alone to the extent of over \$1,500 per year by installing sufficient holder capacity and reducing the operation of its generators from 16 to 8 hours per day. By the use of a small auxiliary compressor, electrically driven for reduced load during off-peak hours, a further substantial saving could be effected, as this would obviate the night operation of boilers and the large steam driven compressor.

The gas plant was originally built to serve Dinuba and the local system was supplied through mains direct from the storage holder. Due to stoppages in the distributing mains, and, possibly, also to the inadequacy of the system by reason of increased consumption, much difficulty was encountered in maintaining sufficient pressure. These conditions have been improved, and now the gas supplied to Dinuba is first compressed to about 35 pounds pressure in the compression tanks and then reduced for distribution to about 8 inches of water pressure. It is suggested that the Dinuba system could be more economically carried on the holder pressure of 4 inches during the off-peak hours and at night, and the high pressure supply from the compression tanks be only employed as required during times of heavy use, and then only in the nature of a booster to increase the velocity of the flow from the holder itself.

All these points are set forth as a means of providing more economical operations. The heavy increase in the cost of fuel and other gas manufacturing materials, together with the necessary increases in wages already incurred, has resulted in a situation demanding the strictest economy in the future.

Table II herewith shows the valuation of the gas properties of applicant as of November 1, 1916, and adopted in Decision 4082, brought up to date by the expenditures for additions and betterments actually incurred to December 31, 1918, and extended to cover estimated additions to June 30, 1920.

TABLE II.

*Operative Gas Capital, River Bend Gas and Water Company.*

	Capital, as of November 1, 1916	Additions and betterments to December 31, 1918	Capital, as of December 31, 1918
Landed capital .....	\$1,006 00	\$451 00	\$1,457 00
Production capital .....	25,702 00	15,800 00	41,502 00
Transmission capital .....	21,088 00	23,807 00	44,895 00
Distribution capital .....	55,752 00	22,372 00	78,124 00
General capital .....	17,990 00	6,766 00	24,756 00
Materials and supplies .....	5,000 00	3,984 00	8,984 00
Totals .....	\$126,538 00	\$73,180 00	\$199,718 00

Operative gas capital	December 31, 1918	Estimated additions and betterments to June 30, 1920	Estimated capital, as of June 30, 1920
Landed capital .....	\$1,457 00		\$1,457 00
Production capital .....	41,502 00	\$18,250 00	59,752 00
Transmission capital .....	44,895 00	2,500 00	47,395 00
Distribution capital .....	78,124 00	4,250 00	82,374 00
General capital .....	24,756 00	300 00	25,056 00
Material and supplies .....	8,984 00		8,984 00
Totals .....	\$199,718 00	\$25,300 00	\$225,018 00

Inasmuch as this addition to capital yet is to be expended, the Commission believes it is fair to estimate the average capital for the year ending June 30, 1920, in the sum of \$210,000, and this figure will be used as a rate base for the purpose of this proceeding. For the gas properties herein the sum of \$4,000 is a proper annual depreciation allowance.

In Table III is shown applicant's gas revenues and expenses for the year 1918, for the first 4 months of 1919, and an estimate for the year ending June 30, 1920:

TABLE III.

*River Bend Gas and Water Company, Gas Revenues and Expenses.*

Item	Calendar year 1918	Four months ending April 30, 1919	Estimates for 12 months ending June 30, 1920
Number of consumers.....	1,423	1,445	1,500
Gas sales per period, cubic feet.....	39,391,500	14,384,000	42,000,000
Rate base (average).....	\$195,000	\$200,000	\$210,000
Gross revenues.....	\$53,011	\$21,765	\$65,100
Production expense.....	\$37,994	\$15,778	\$37,800
Transmission and distribution expense.....	4,901	1,843	5,400
Commercial expense.....	4,986	1,931	5,200
General and miscellaneous expense.....	4,792	970	4,800
Subtotal.....	\$52,673	\$20,522	\$53,200
Taxes.....	2,971	1,253	\$3,883
Depreciation.....	3,600	1,210	4,000
Grand total expense.....	\$59,244	\$22,985	\$61,083
Net revenue available for return.....	\$8,233	\$1,220	\$4,017
Rate of return on capital.....			1.9%

<sup>1</sup>Under rates now in effect.<sup>2</sup>Includes one-half franchise tax, city of Dinuba (\$2.5).<sup>3</sup>Deficit.

This indicates that, for the year estimated, the rates now in effect will produce a return of but 1.9 per cent on applicant's operative capital.

For the first four months of 1919, the average revenue per thousand cubic feet of gas sold was only \$1.52, due to the fact that a large number of consumers obtain the reduced rates on account of their large consumption, and also, on account of the street lighting contracts in the city of Dinuba and the Parlier lighting district, which are not remunerative.

The contract with the city for the Dinuba street lights has expired and the company is still furnishing the municipal ares with gas at the former rate; arrangements should be made to renew this contract under a more equitable and compensatory basis. In the Parlier lighting district, about 20 single mantle ares are supplied at \$2.50 per lamp per month. This contract does not expire until June 1, 1921, and the service at this rate means a continued loss.

The present rates of the applicant for all gas sold authorized in Decisions Nos. 5864 and 5944, in effect since October and December, 1918, respectively, are as follows:

	Gross	Net
First 500 cubic feet or less per meter per month.....	\$1 10	\$1 00
Next 2,500 cubic feet per meter per month.....	*1 80	*1 70
Next 1,000 cubic feet per meter per month.....	*1 60	*1 50
Next 8,000 cubic feet per meter per month.....		*1 30
Over 15,000 cubic feet per meter per month.....		*1 20

\*Per 1,000 cubic feet.

During the first four months of 1919, applicant, under these rates, failed to pay operating expenses. In order to meet operating expenses, including depreciation, for the year ending June 30, 1920, the gross revenue would have to be approximately \$61,000. Should the return be increased so as to earn a full 8 per cent on the investment, the gross revenue for the coming 12 months must reach \$79,000, or an increase of approximately \$14,000 per annum over the revenue from present rates.

Taking the total sales, for the year ending June 30, 1920, at 42,000,000 cubic feet, the average revenue per thousand feet sold should equal \$1.88 in order to provide the revenue for an 8 per cent return. The quality of the service rendered by applicant throughout its entire territory was found, on inspection, to be of a high standard. Its consumers appear to be well satisfied with the company's policy and management, and no opposition was voiced to the applicant's request for an increase in rates.

Based on the foregoing, it appears that a higher schedule of rates is necessary in order that good service be continued, and give applicant a return on its capital. However, in estimating the expenses that will be incurred by applicant for the year ending June 30, 1920, production costs have been reduced to an amount more consistent with efficient operation. The past costs of operation do not afford a reasonable basis for expense. Less of oil, due to circumstances entirely within control of a utility, should not be considered as a proper charge against the cost of the gas produced. Neither is abnormally high fuel expense justified, especially when it was shown and admitted by the management as being to a large extent due to inadequate facilities. The new contract for oil for the next 12 months will allow a small saving in the oil costs over those which have been incurred since May, 1918. However, the saving in the price paid for oil will be largely absorbed by the additional price paid for labor. Some reduction in manufacturing costs must be made by the applicant by enforcing the strictest economy in operations. The quantity of oil used, as shown by the plant

report, must be reduced to an amount consistent with the size and character of this plant. Leakage and unaccounted for gas should be reduced to a minimum, and some arrangements immediately introduced whereby the accuracy of the consumers' meters can be checked. The revenues from street lighting in the City of Dinuba should be revised upon a more equitable basis, and no long-time contracts for such service should be hereafter made without some provisions for abnormal conditions such as have existed for some time.

Consideration should be given to the good quality of the service which is supplied by this applicant in the face of increasing operating costs, and bearing in mind that its present financial condition is a result, partially at least, of deficiencies in revenues obtained under rates lately authorized by this Commission, it appears reasonable and proper to grant it the relief which is clearly necessary. The schedule of gas rates set forth in the order herein is proposed to offset the increased costs of operation and will yield a reasonable return on applicant's capital.

#### ORDER.

River Bend Gas and Water Company having applied to increase its rates and charges for gas, hearings having been held, the matter being now submitted and ready for decision,

*The Railroad Commission of the State of California hereby finds as a fact that the present rates for gas of River Bend Gas and Water Company are, under present conditions of costs of operation, not just and reasonable rates and that the rates hereinafter established are just and reasonable rates for gas.*

Basing its order on the foregoing finding of fact and upon the other findings of fact contained in the opinion which precedes this order,

*It is hereby ordered that River Bend Gas and Water Company be and is hereby authorized to charge and collect the following rates for gas, based on all regular meter readings taken on and after July 18, 1919:*

#### *Schedule of Gas Rates.*

	Gross	Net
First 500 cubic feet or less per meter per month.....	\$1 20	\$1 10
Next 3,500 cubic feet per meter per month.....	*1 90	*1 80
Next 6,000 cubic feet per meter per month.....	*1 70	*1 60
Next 15,000 cubic feet per meter per month.....		*1 40
Over 25,000 cubic feet per meter per month.....		*1 20

\*Per 1,000 cubic feet.

The net rates shall be effective for all bills paid within ten (10) days after the first of the month following each meter reading date; provided,

that the River Bend Gas and Water Company shall, within ten (10) days of the date of this order, file with the Railroad Commission the gas rates herein established.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this sixteenth day of July, 1919

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DECISION No. 6502.

J. A. BOYCE ET AL.

VS.

PACIFIC GAS AND ELECTRIC COMPANY.

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Case No. 1293.

Decided July 16, 1919.

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IRRIGATION SERVICE—RIGHTS OF WAY—EXCESSIVE PRICES ASKED FOR.—The Railroad Commission will not direct a public utility to construct additional facilities to enable it to render adequate service to its irrigation consumers when it is shown that consumers which would have benefited most by such construction have demanded excessive and exorbitant prices for a right of way through their property.

Construction of the proposed additional conduit is ordered, provided the landowners, through whose land the canal will run, will sell to defendant an adequate right of way at a fair and reasonable price.

W. H. Carlin, for Complainants.

C. P. Catten and R. W. Dural, for Pacific Gas and Electric Company.

BY THE COMMISSION.

#### OPINION.

This complaint was filed by eleven farmers and fruit growers of Placer County against Pacific Gas and Electric Company for the purpose of obtaining adequate service of water for irrigation purposes from defendant.

A public hearing in this proceeding was held at Auburn on June 3, 1919, before Examiner Bancroft.

From the evidence, it appears that on December 24, 1915, by Decision No. 3005, Case No. 613, *William Parton Montague et al. vs. Pacific Gas and Electric Company* (Vol. 8, Opinions and Orders of the Railroad Commission of the State of California, p. 820), this Commission ordered defendant herein to supply water for irrigation of additional lands in the irrigable area in eastern Placer County; that all the complainants herein were interested in, and many of them were parties to, that pro-

ceeding; that prior and up to the time of the rendering of the formal decision, complainants had for several years been cultivating, raising and growing fruit trees in Placer County and irrigating the same with water received from the irrigation system of defendant; that since the date of said original order they have been clearing additional portions of their lands to increase their respective acreages requiring irrigation, and that they now need additional water for use in producing their crops.

It further appears that the defendants have been receiving their water for a number of years past from the irrigation conduit owned and operated by defendant and generally known as the Greeley pipe line; that said line is now and for a number of years past has been delivering water to complainants to its maximum capacity and that increased delivery from said conduit to complainants can not be made without the enlargement and reconstruction of the same. It further appears that in July, 1916, in pursuance of the Commission's order, defendant authorized the construction of a new ditch and conduit for the purpose of giving an increased supply of water to the consumers in the territory involved in this complaint; that said canal and conduit was to extend from the Boardman canal at or near milepost No. 69, in a general southeasterly direction, in the main paralleling the present Greeley pipe line, down to the Greeley canal at milepost No. 4; that it was contemplated said proposed canal and conduit would take its supply of water from below defendant's Wise power house and would provide an ample supply to all consumers in the territory in which the Greeley pipe line is located; that in 1916, the estimated cost of constructing said conduit was \$60,000, which estimate included an item of \$15,000 for rights of way; that bids were received from numerous contractors and the successful bidder was notified of defendant's acceptance of its proposal; that before the work of constructing new canal and conduit could proceed, it was necessary that defendant secure rights of way for said proposed canal; that defendant expended more than \$18,000 in securing such rights of way but that after protracted negotiations with the owners of property through which it was proposed to construct said ditch, it was found that additional rights of way could not be purchased unless defendant would agree to pay the property owners excessive and exorbitant compensation for such rights through their respective properties.

Defendant alleged in its answer that the demands of these property owners for excessive and exorbitant prices resulted in making the economical construction of said conduit impossible and defendant was under the necessity of abandoning its plan of constructing the same until such time as it should be possible to secure the necessary rights



of way at a reasonable cost; that defendant is now, and has at all times been desirous and willing to furnish and supply water to existing consumers and to the owners of property in the territory immediately adjacent to its Greeley pipe line for use by them in the proper irrigation of their respective lands.

After a thorough examination of this question, we are forced to conclude that while some of the landowners sold rights of way to defendant at reasonable prices, most of them demanded excessive prices from defendant, which we do not blame defendant for having refused to pay. In fact, if defendant had paid some of the prices demanded for rights of way through lands owned by some of the complainants in this proceeding, the Commission would certainly have refused to allow the defendant any such valuation of such right of way for rate-fixing purposes or otherwise. While defendant's original estimate of \$16,000 for its proposed right of way may have been somewhat low, nevertheless, the evidence shows that it actually spent almost \$19,000 in purchasing 18,600 feet of this right of way, while there are 28,600 feet of additional right of way to be acquired. From the testimony of Mr. J. J. Brennan, one of the complainants herein, it appears that so-called rough or uncleared land in this portion of Placer County, which can be irrigated, is worth between \$65 and \$80 per acre; that after it has been cleared and is ready to plant, it is worth approximately \$125 per acre, but that similar land which can not be irrigated would not be worth clearing. When defendant wished to purchase a right of way, which would comprise a total of some five or six acres through the property of King and Brennan, Mr. Brennan apparently at first asked \$9,200 and then reduced his price to \$5,000. Finally, the company offered to install five bridges across the canal and to pay them \$1,000 or \$1,200, which King and Brennan refused to accept; most of this proposed right of way went through uncleared land. Two landowners, Mr. A. A. Hannish, owner of 160 acres, and Mr. C. J. O'Keefe, his neighbor, insisted on the defendant buying their entire acreage, Mr. Hannish asking \$5,000 for his. Mr. Hughes Madely testified that defendant had offered his mother \$4,250 for a right of way through her place, which would have comprised about two acres of orchard land, and that the company finally agreed to give her \$5,000 for this, but that negotiations were dropped on account of the company having abandoned its plan. He stated that this sum was arrived at by valuing the land, which was part of a bearing orchard, at \$500 per acre, making a total of \$1,000, while the additional damage on account of the ditch going through his mother's place was estimated at \$4,000, arrived at by capitalizing at 5 per cent the additional work that would be required in removing weeds, cultivating the two parts separately, etc.

From the evidence as a whole, we are forced to conclude that the landowners reasoned that defendant would have to construct its irrigation system through their lands in pursuance of the order of the Commission, and that they would charge the company all they could hope to get from it and not make any allowance whatever for the benefit the land would receive from having the water brought to it.

If defendant herein is compelled to pay exorbitant prices by landowners through whose land the proposed canal will extend, the payment of these prices would work a hardship upon the neighbors of those demanding the exorbitant prices, because this Commission would, and assuredly should, in the establishment of rates, include in the rate base the actual cost of these rights of way. Thus each consumer on the extension would be made to bear a part of the cost paid by defendant to those demanding excessive prices for rights of way.

This Commission will not permit utilities in the state to charge against their consumers reckless or extravagant expenditures, and neither will it force a utility, by an order, to pay exorbitant prices for rights of way, such as are here demanded.

Although we have no jurisdiction over the consumers in this respect, we suggest that all of the consumers who will receive water from this proposed canal, co-operate and secure for defendant the rights of way at reasonable prices. This community action will undoubtedly prevent anyone from demanding exorbitant prices and will avoid delaying or preventing the construction of this canal, which, it appears, will be of so great benefit to all concerned.

#### ORDER.

J. A. Boyce et al. having filed a complaint against Pacific Gas and Electric Company, a public hearing having been held and the matter being now before the Railroad Commission for determination,

*It is hereby ordered* that defendant, Pacific Gas and Electric Company, construct its proposed canal or conduit from the Boardman canal, at or near milepost No. 69, in a general southeasterly direction, in the main paralleling the present Greeley pipe line of defendant down to the Greeley canal at milepost No. 4, and that it shall complete said conduit and render the same adequate for the purpose of serving complainants, on or before May 1, 1920; provided, that on or before November 1, 1919, all of the remaining landowners, through whose lands the proposed canal is run, will sell to defendant an adequate right of way for the same, at a price which shall be fair and reasonable to all parties concerned, the question of whether such offer is a fair and reasonable one to be determined, if necessary, by this Commission at a supplemental hearing.

Dated at San Francisco, California, this sixteenth day of July, 1919.

## DECISION No. 6503.

WILLIAM W. PORTEOUS ET AL.

vs.

J. H. PURDY,

Case No. 1264.

Decided July 16, 1919.

**JURISDICTION—WATER SERVICE.**—The owner of a ditch, originally constructed and used solely for the purpose of supplying mining interests, at the termination of which use the caretaker thereof delivered water and collected rates therefor for his own financial interest, is held not to be operating as a public utility, over which this Commission has jurisdiction. Complaint dismissed.

*Wm. W. Porteous*, for Complainant.

*Paul E. Greer*, for Defendant.

BY THE COMMISSION.

**OPINION.**

The complaint alleges that defendant is engaged in the business of furnishing water for domestic and irrigation purposes in and about West Point, Calaveras County; that the sixteen complainants named are all consumers of water from defendant's system; that he fails to furnish sufficient water for consumers because of his neglect and refusal to develop his sources of water supply, and to properly equip and maintain his ditches and flumes.

The answer denies the allegations of the complaint, and alleges that twelve of the sixteen complainants are not consumers from the system in question. It also alleges that the ditches described were originally constructed exclusively for mining use; that there was no intent to supply water to private consumers nor a holding out to the public as purveyors of water by him or his predecessors in interest, but that during the times when the mines were temporarily not operated, the owners of the mines and ditches permitted persons located along the ditches in and about West Point to take water, for which defendant has received no payment or benefit, but that such persons using water have paid nominal amounts to a ditch tender for services on the ditch, but that there is no obligation upon defendant, in law or equity, to furnish water.

An informal hearing was held by Examiner Westover at West Point, at which testimony offered by complainants was taken. Subsequently a formal hearing was held by him in Los Angeles, at which the testimony offered by defendant was taken. It was stipulated at each hearing that the testimony taken at the other hearing might be considered

in evidence as though there were one hearing at which both parties were represented.

The ditch in question was constructed to serve mines on the Mokelumne River about four miles west of West Point. The mines and ditch were owned for many years by the Farrington Gold Mining Company. For about 25 years preceding his death in March, 1919, the ditch was cared for by Wm. Reynolds, who was originally employed by the mining company upon a monthly salary as ditch tender.

Surplus water not needed for mining purposes was sold by the company to ranchers along the ditch for irrigation at a measured rate, and to consumers in West Point upon monthly flat rates. This arrangement continued until the mines and ditch were acquired by defendant through foreclosure proceedings late in 1909.

Mr. Reynolds at all times had charge of and operated the ditch. He acted as the employee and agent of the mining company up to the time of the foreclosure proceeding, but after that he acted for himself alone under an arrangement made about February 5, 1910, by which Mr. Purdy authorized him to use the ditch and make what he could out of it, in return for maintaining it at his own expense for labor and repairs. Under this arrangement ranchers along the ditch aided Mr. Reynolds in cleaning and repairing it, in places where such work was most needed, in return for which they were permitted by Mr. Reynolds to take water for irrigation, without further payment. There were some ten or twelve consumers in West Point who used water for domestic purposes under flat rates. The collections made by Mr. Reynolds for domestic service were retained by him pursuant to his agreement with Mr. Purdy, who never asked nor received nor expected any accounting for revenues collected. During this time, Mr. Reynolds was aiding Mr. Purdy by showing the mining property to prospective purchasers, and by selling from time to time various portions of the machinery and equipment from the mines, for which service he was paid a commission on the sales. Mr. Purdy on several occasions contributed materials for repairing the ditch, at Mr. Reynolds' request, his evident purpose being primarily to keep the ditch in operating condition as an adjunct to the mines, which he was endeavoring to sell. It appears that he took no part at any time in operating the ditch, and never received any revenue from it.

Since the submission of the case, Mr. Porteous has authorized a dismissal so far as he personally is concerned, but he does not assume to act for the other fifteen complainants, of whom the evidence shows that twelve are not consumers.

From the facts above stated, it appears that complainants failed to establish by the evidence that defendant over operated the ditch, or

that there is any resulting obligation upon him to serve water. The complaint must therefore be dismissed.

#### ORDER.

Public hearings having been held in the above-entitled proceeding, the matter having been submitted and being now ready for decision,

*It is hereby ordered* that the complaint be and it is hereby dismissed.

Dated at San Francisco, California, this sixteenth day of July, 1919.

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#### DECISION No. 6504.

IN THE MATTER OF THE APPLICATION OF J. A. FOSTER AND EDITH P. FOSTER, DOING BUSINESS UNDER THE FICTITIOUS NAME OF DURHAM LIGHT AND POWER COMPANY, AND THE PACIFIC GAS AND ELECTRIC COMPANY, A CORPORATION, FOR AN ORDER OF THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA, AUTHORIZING THE FORMER TO SELL AND CONVEY UNTO THE LATTER AND THE LATTER TO PURCHASE AND ACQUIRE FROM THE FORMER, ALL OF THE PROPERTY OWNED BY THE FIRST-NAMED APPLICANTS OR USED OR INTENDED TO BE USED IN THE DISTRIBUTION AND SALE OF ELECTRIC ENERGY.

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Application No. 4710.

Decided July 16, 1919.

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*J. A. Foster, in propria persona* and for Edith P. Foster and Durham Light and Power Company.

*C. P. Cotton*, for Pacific Gas and Electric Company.

BY THE COMMISSION.

#### OPINION.

J. A. Foster and Edith P. Foster, doing business under the fictitious name of Durham Light and Power Company, apply for authority to transfer to Pacific Gas and Electric Company their electrical distributing system by which they serve electric energy in and about Durham, Butte County, at the agreed purchase price of \$15,000 cash and \$10,000 par value in fully paid shares of the first preferred capital stock of the latter company, which company joins in the application.

A public hearing was held by Examiner Westover at San Francisco, July 15.

The testimony shows that the property to be transferred cost \$23,845.57. Of this amount \$5,568 represents cost of distributing system installed in the city of Durham prior to January 1, 1913, and \$17,262.78 represents the cost of distribution system installed outside of the city of Durham since that time.

The sellers are indebted in the sum of \$15,400, with interest from January 1, 1919, represented by outstanding notes and in the sum of \$2,952.12 represented by outstanding accounts.

The location of the state land colony near Durham has resulted in demands for service, which would require about \$10,000 to install, and other new service installations in the near future will require some \$3,000 of additional capital. These extensions the sellers say they are not able to finance, and they wish also to retire from the business.

It appears that the purchaser is better able to serve the public in the Durham territory because of the proximity of its service in the Chico district and its ability to finance needed extensions and improvements.

The Pacific Gas and Electric Company, as purchaser, is unable to say at this time whether or not the transfer will within a reasonable time result in lower rates in the community, but gives assurance that it has no desire to increase rates.

It appears from the testimony that the proposed transfer will benefit the community served by this utility property.

#### ORDER.

J. A. Foster and Edith P. Foster, doing business under the fictitious name of Durham Light and Power Company, having applied for authority to transfer to Pacific Gas and Electric Company the electric distributing system hereinafter described, and Pacific Gas and Electric Company having applied to the Commission for authority to issue the stock hereinafter described, a public hearing having been held and the Commission being of the opinion that the property to be procured or paid for by such issue is reasonably required for the purpose or purposes specified in the order and that the expenditures for such purposes are not in whole or in part reasonably chargeable to operating expenses or to income,

*It is hereby ordered* that said J. A. Foster and Edith P. Foster be and they are hereby authorized and empowered to hereafter convey to Pacific Gas and Electric Company, a corporation, in consideration of the sum of \$15,000 cash and 100 fully paid shares of the first preferred capital stock of Pacific Gas and Electric Company all of the electric transmission and distributing lines owned, held or claimed by said vendors or either of them and used in distributing and selling electric energy in the village of Durham and its vicinity in Butte County, California, including all rights of way pursuant to which such lines were constructed, all meters, transformers, electric materials, equipment and supplies belonging to vendors or either of them and used or intended to be used in the distribution and sale of electric energy, and all contracts for the sale or purchase by said vendors or either of them of electric

energy; said property to be transferred free of all encumbrance, except that all taxes and assessments upon the property shall be prorated in reference to the date of delivery of conveyance, as provided by the parties in their contract which is attached to the application herein as Exhibit "B" thereto.

*It is hereby further ordered* that Pacific Gas and Electric Company be and it is hereby authorized and empowered to issue to J. A. Foster and Edith P. Foster or their heirs, representatives or assigns 100 shares of the fully paid first preferred capital stock of said company of the par or face value of \$100 each, for the purpose of procuring the electrical distributing system herein described.

The authority herein contained is granted upon the following conditions:

1. This authority applies only to such transfer or conveyance and to the issue of such stock as shall have been executed and delivered or issued within thirty days from date hereof.

2. Within ten days after the delivery of any such transfer or conveyance or the issue of such stock, Pacific Gas and Electric Company shall make written report to the Commission of the fact and date of delivery or issue thereof and shall file with the Commission a copy of said transfer or conveyance.

3. Nothing herein contained shall be construed in any proceeding before this Commission or any court, tribunal or public body as a finding of the value or cost of the property authorized to be transferred for any purposes other than those of this proceeding.

Dated at San Francisco, California, this sixteenth day of July, 1919.

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DECISION No. 6508.

WALLACE G. HEMPHILL AND C. W. LEVISEE

vs.

PACIFIC GAS AND ELECTRIC COMPANY, A CORPORATION.

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Case No. 1341.

Decided July 18, 1919.

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**WATER SERVICE—NOTIFICATION TO CONSUMERS OF POSSIBLE SHORTAGE OF SUPPLY.—**

It is held to be the duty of a public utility to keep in touch with its consumers and to notify them of a probable water shortage, particularly when the supply is so impaired as to require practically a total discontinuance of service.

**WATER SUPPLY—USE OF FOR GENERATING PURPOSES.—**An electric utility storing water for electric generating purposes will not be called upon to draw upon its

storage water during a shortage of supply for the purpose of furnishing an adequate supply of irrigation water, when it has been ordered by the Power Administrator to conserve such supply to the greatest possible extent.

Defendant directed to divert, for the use of complainants, such quantities of water as is possible after compliance with orders of the Power Administrator with reference to conservation of impounded waters.

*R. W. Hawley, for Complainants.*

*C. P. Cutten, for Defendant.*

MARTIN, *Commissioner.*

#### OPINION.

The complaint in the above-entitled proceeding alleges in effect that defendant, a public utility engaged in the business of distribution of water for the irrigation of lands in Placer County, has in the past repeatedly negotiated with complainant Hemphill, through its qualified representatives, for the irrigation of his own and other lands adjacent to Auburn Ravine, and as a result entered into three contracts with the complainants herein providing for the delivery of specified quantities of water to their lands for the irrigation of rice and other crops. It is further alleged that defendant has recently so diminished the supply of water turned into Auburn Ravine that complainant Hemphill has received an inadequate supply and complainant Levissee was entirely deprived of water, and that continued shortage will result in the destruction of complainant's entire crops.

Complainants therefore ask the Commission to make its order directing defendant to deliver an adequate supply for the development of rice crops on complainant's lands, or if there is less than a full supply of water available that it then be required to deliver to complainants an exact pro rata supply of the entire amount of water available for delivery to all users of water for irrigation.

A public hearing was held in San Francisco on July 15, 1919.

A contract between Pacific Gas and Electric Company and Wallace G. Hemphill was executed on October 31, 1918, and provides for the delivery, at a point on Auburn Ravine in section 12, township 12 north, range 6 east, M. D. B. and M., of not to exceed 1000 miner's inches of water for the irrigation of 1000 acres of rice land at the following "development" rates:

\$1.00 for each acre of land to be irrigated during the year 1919.

\$3.00 for each acre of land to be irrigated during the year 1920.

\$7.00 for each acre of land to be irrigated during each year after 1920.

It was provided that Hemphill should construct, maintain and operate all aqueducts necessary for receiving and conducting the water to the locations at which it was to be utilized and that sufficient water should be purchased each season for the irrigation of at least 800 acres.



Further provisions of the contract were that reasonable care and diligence should be exercised to furnish and deliver to Hemphill the quantities of water to which he was entitled, but that the company should not be liable for loss or damage suffered through failure to deliver a full supply if such failure was occasioned by accident, act of God, fire, strikes, riots, war or any other act or thing beyond the reasonable power or control of the company, and if at any time the company should not have sufficient water to supply all of its consumers with the full amounts to which they are entitled, then the amount of water available for sale during such period should be apportioned fairly and equitably among all such consumers.

It was also understood and agreed that the water to be furnished will first be utilized for the generation of electric energy, which is the primary use to which it shall be put; therefore the company shall have the right, without incurring any liability, to discontinue delivering water for irrigation use whenever in the opinion of its engineer such discontinuance is necessary in order to conserve the stored waters required for the generation of electric energy.

Two similar contracts were executed between Pacific Gas and Electric Company and C. W. Levisse, as follows:

November 15, 1918, for 1200 miner's inches of water for the irrigation of 1500 acres of rice and beans, and delivered at points on Auburn Ravine in sections 27 and 30, township 12 north, range 5 east, M. D. B. and M.

January 20, 1919, for 600 miner's inches of water for the irrigation of 750 acres of rice and beans at a point near the southeast corner of section 27, township 12 north, range 4 east, M. D. B. and M.

Complainants contend that they were assured by representatives of defendant that the clause in each contract providing for the distribution of water pro rata in case of shortage would entitle them to a proportionate share of all water delivered for irrigation purposes to all consumers under defendant's water system, and that the clause under which defendant endeavors to vest the right to discontinue service when, in the opinion of its engineer, such discontinuance was necessary to conserve stored waters was understood to in no way set aside the provision for delivery of all water pro rata. Complainants also contend that their rights to receive water in times of shortage are equal to those of other consumers, most of whom have been supplied with water for many years and at higher rates.

Defendant contends that complainants were granted a lower rate for water than other consumers for the reason that the water supplied under the contracts was surplus or "dump" water only and that regularity of service could not be guaranteed at all times and under all conditions. It was also argued by defendant that the rights of complainants to water in times of shortage are inferior to those of other

consumers who have purchased water for many years and at higher rates.

This proceeding had its inception in an informal complaint filed with the Commission on July 8, 1919. A conference was held on July 11 at which were present the Power Administrator, defendant's chief electrical engineer, the complainants, and the Commission's engineers. Owing to the gravity of the situation and the impossibility of deciding the matter without a formal hearing, the Power Administrator consented to issue an order directing defendant to increase the supply of water to complainants for a period of ten days so that crops might not be ruined during the period required to bring formal action and a decision be reached by the Commission. This action was taken in spite of the fact that it might seriously affect the supply of electric light and power, later in the season.

Testimony at the hearing developed the fact that the present situation regarding water supply is abnormal; that the demand for water is greater than usual while the supply is below normal and that in no year since 1905 has it been necessary to draw upon storage so early in the season. During the winter and early spring every indication pointed to a year of normal water supply but these early predictions were later reversed by hot winds which seriously depleted stream flow. So acute did this situation become that early in July the Power Administrator called a conference to discuss power possibilities at which each power company submitted estimates. It was then decided that in order to carry the load it would be necessary to operate all steam plants to full capacity and to conserve stored water. The Power Administrator accordingly issued his order to reduce draft on storage as much as possible.

It was also shown that a large number of irrigators and a considerable number of municipalities, including Auburn, Colfax, Newcastle, Roseville, Nevada City and others, are dependent upon defendant for water for domestic use, and that a depletion of amounts in storage might seriously affect their supply.

In view of the foregoing circumstances, it would be unwise to draw upon stored water to supply complainants.

It was suggested at the hearing that a proration of the irrigation supply between complainants and other consumers, who are mostly orchardists, might be accomplished by a strict division of the available water or by withholding the orchardists' supply entirely for one or more months. Either course would entail so many difficulties as to make the plan impracticable. A strict division of the water would necessitate changing over some 900 measuring boxes, the water so diverted would be inconsiderable in quantity for rice irrigation and

would be still further reduced in amount when delivered at complainants' intakes, owing to the enormous losses in Auburn Ravine, which testimony shows are somewhere between 25 and 75 per cent, depending upon the distance transported. Withholding the supply from the orchardists for a time would be impossible as water for domestic use is carried in the same ditches that supply the irrigation demand, with the result that irrigators at the upper end of the ditches would appropriate the domestic supply not only of other irrigationists but of the municipalities as well. Any reduction of the supply to the orchardists would also cause them severe financial loss.

Some of complainant Levissee's tenants are endeavoring to secure a water supply by the sinking of wells and the installation of pumps, hoping in this way to save a part of their crops. Others contend that owing to their location it is impossible to secure water through the installation of wells and pumping equipment and will not make the attempt.

Testimony shows that defendant has failed to file copies of contracts and rates with the Commission as is provided for in general orders. Presumably this was an oversight rather than an intentional disregard of a very vital matter, but it should be a lesson to the company.

It was also shown that defendant made no effort to warn complainants of the impending water shortage, although its chief electrical engineer admitted that he was aware of conditions for a considerable time in advance of the actual curtailment of supply, and the only explanation given for such failure was that it was not customary to notify consumers of probable water shortage. The Commission deems it the duty of a public utility to keep reasonably in touch with the consumers and to give them fair notice in such an important matter as impending water famine or stoppage of service. Such notice to the consumers in the present case would not only have aided materially in the conservation of water but would also have saved financial loss to consumers in many instances. Defendant should also be condemned for making contracts for the supply of such large quantities of surplus or "dump" water before it was determined, by trial for several years upon a small acreage, how much water could safely be assured for the purpose.

I submit the following form of order:

#### **ORDER.**

Wallace G. Hemphill and C. W. Levissee having made complaint against Pacific Gas and Electric Company, a public hearing having been held thereon, the Commission being fully informed in the matter and basing its order upon the findings contained in the preceding opinion,

*It is hereby ordered* that Pacific Gas and Electric Company be and the same is hereby directed to turn into Auburn Ravine, for the use of complainants herein, such quantities of water as is possible to divert thereto after complying with the orders of the Power Administrator, to the effect that impounded water shall be conserved as much as possible.

*It is hereby further ordered* that in all other respects the complaint herein be and the same is hereby dismissed.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this eighteenth day of July, 1919.

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DECISION No. 6509.

IN THE MATTER OF THE APPLICATION OF THE RUSSIAN RIVER HEIGHTS WATER COMPANY, FOR ADJUSTMENT OF WATER RATES TO CONSUMERS AT RUSSIAN RIVER HEIGHTS, SONOMA COUNTY, AND ADJACENT TERRITORY.

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Application No. 4478.

Decided July 18, 1919.

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**WATER RATES—SUMMER RESORTS—DISTRIBUTION OF COSTS OF SERVICE.**—It is held that the few regular consumers of a water utility serving a summer resort district, should not be compelled to pay rates in excess of the value of the service which they actually receive, account of the fact that the majority of the utility's consumers require service only during a few months of the year.

Revised schedule of rates established for system of applicant which are designed to distribute the cost of service equitably between summer and year-round consumers.

*A. F. Lemberger*, for Applicant.

*D. B. Channel and Thos. Fitch, Jr.*, for Russian River Heights, Montesano and Graystone Improvement Club.

*LOVELAND*, Commissioner.

**OPINION.**

This is a proceeding brought by Russian River Heights Water Company, hereinafter referred to as applicant, for an increase and adjustment of its rates for water.

The application alleges in effect, that Russian River Heights Water Company is duly incorporated under the laws of this state for the purpose of collecting and distributing water to the inhabitants of Russian River Heights and vicinity, Sonoma County; that the rates in effect are not compensatory and do not produce a sufficient revenue to meet

reasonable annual charges; and that as a result applicant's credit is impaired and it is impossible to obtain funds for the conduct of its business. Applicant asks that fair and reasonable rates be established.

The rate schedule now in effect is as follows:

Minimum annual charge, payable in advance-----	\$5 00
In addition for each—	
Bathtub -----	\$2 00 per month
Flush toilet -----	2 00 per month
Shower bath -----	1 00 per month

A public hearing was held in this proceeding on May 21, 1919, at San Francisco.

The water supply for this system is obtained from a number of streams and two water tunnels in the vicinity of Russian River Heights, supplemented during the heavy draft of the summer months by a pump which lifts water from a well sunk in the gravels of the Russian River bottom. There is a total storage capacity of 9000 gallons.

Water is delivered to the consumers through iron and steel pipes, both direct from the sources of supply and from the wooden storage tanks. The available storage is admittedly insufficient during the peak draft of the summer season. Some complaint was voiced at the hearing concerning lack of storage capacity, and applicant stated that lack of funds had prohibited a greater investment in such facilities. Subsequent to the hearing it has come to the attention of the Commission that the company has voluntarily installed additional storage, thereby improving service conditions.

The district served by applicant is a well-known summer resort, which has a great fluctuation in population during the different seasons of the year, the number of active service connections varying from a minimum of ten during the winter, to approximately seventy, during the month of July. As is usual with a summer resort of this character, the area served is sparsely settled. It is therefore necessary for the utility to maintain very extensive distributing system in proportion to the number of consumers served, of sufficient capacity to deliver water to a comparatively large number during one or two months of the summer season, whereas during the remainder of the year a very much smaller system would be required to serve its consumers. However, the investment still remains during the slack season, and an adequate force of operators must be maintained. There are many other expenses which must be met by the utility, such as taxes, insurance, legal, etc., which do not fluctuate with the number of consumers served. It is apparent that though the major portion of the water is sold during the few summer months, the utility is still at considerable expense during the balance of the year, which expense is directly attributable to those consumers who receive service for only a few months each year.

Furthermore, the utility must at all times of the year stand ready to serve any or all of its consumers, and this readiness to serve entails a continuous expense.

Field investigation was made of this plant by Mr. C. I. Rhodes, one of the hydraulic engineers of this Commission, who reports an estimated original cost new of the used and useful properties as of January 1, 1919, of \$9,126, and a sinking fund annuity of \$120. No objection was made to Mr. Rhodes' report at the hearing by either the consumers or applicant. Investigation was made of the records of the company by Mr. Harold Everhart, one of the Commission's auditors, who reports maintenance and operation expense and income for the years 1917 and 1918, as follows:

Item	1917	1918
Gross income .....	\$563 00	\$565 00
Maintenance and operation expense.....	602 50	678 65

The sums reported above for gross income are the amounts billed the consumers, whereas, in fact, a portion of this amount is not actually collected by applicant.

An estimate was submitted at the hearing of proper operating cost for 1919. This estimate follows:

Operating labor and expense.....	\$350
General expense .....	435
Taxes .....	120
Power .....	75
Insurance .....	20
Total .....	\$1,000

The district served by applicant is still in its development stage, and if a rate schedule is established to produce the total annual charges, based upon the estimated original cost set out herein, it would be so high as to be unfair to the consumers.

The system as constructed, with a small additional expenditure, has a sufficient capacity to serve many more consumers than are at present receiving water from it.

Because of the fact that most of applicant's consumers receive water only for a very short period each year, it is a difficult matter to equitably distribute the expense among the consumers. It would be unfair to require of those consumers receiving water the entire year, that they bear a part of the burden of the expense incurred because of those receiving service a few months only.

The rate schedule herein established is designed to exact from each consumer, in so far as possible, his proper equitable proportion of the expense. The findings herein are the result of very careful consideration of the data presented by applicant, with equal consideration of the

information given by the public-spirited citizens who appeared at the hearing, and it is believed that the rates herein established will work full and ample justice to all parties concerned.

I recommend the following form of order:

#### ORDER.

Russian River Heights Water Company having made application for adjustment of its water rates, and a public hearing having been held, and the Commission being fully apprised in the premises,

*It is hereby found as a fact* that the rates of Russian River Heights Water Company, in so far as they differ from the rates herein established, are unjust and unreasonable, and that the rates set out in the following order are just and reasonable rates to be charged by it to its consumers for water; and basing its order upon the foregoing finding of fact, and upon the further findings of fact contained in the opinion preceding this order,

*It is hereby ordered* that Russian River Heights Water Company be, and it is hereby, authorized and directed to file with this Commission within twenty (20) days of the date of this order, and thereafter charge to its consumers, the following schedule of rates, effective as of July 1, 1919:

#### Flat Rates.

Minimum annual charge, payable in advance, which entitles consumer to a maximum of 400 cubic feet of water per month for four months	\$14 00
For each additional month, which entitles the consumer to 400 cubic feet of water	1 00
Flat rates for entire year, payable in advance, which entitles consumer to 400 cubic feet of water monthly	18 00

#### Meter Rates.

Minimum annual charge, payable in advance, which entitles consumer to a maximum of 400 cubic feet of water per month for four months	14 00
All use during other months, 400 cubic feet or less	1 00
For use over 400 cubic feet:	
Next 3000 cubic feet	20 cents per 100 cubic feet
Above 4000 cubic feet	15 cents per 100 cubic feet

*It is hereby further ordered* that within thirty (30) days from the date of this order, applicant shall file with this Commission rules and regulations for its approval, and shall put same into effect as amended and corrected, which rules and regulations shall provide, among other things, as follows:

- (1) That payment may be made for the full current year in advance, at the option of the consumer.
- (2) That the annual charges shall be due on January 1 of each year.
- (3) That bills shall be rendered for one-half of the annual minimum charge for the balance of the calendar year of 1919 less three-quarters of the minimum annual charge heretofore in effect, which is the proportion of the number of remaining months in the fiscal year to twelve months.
- (4) That in the event that a consumer receives service for only a portion of the month, the rates for the full month will be charged.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this eighteenth day of July, 1919.

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DECISION No. 6510.

IN THE MATTER OF THE APPLICATION OF MOUNT JACKSON WATER  
AND POWER COMPANY FOR AN ADJUSTMENT OF RATES.

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Application No. 4479.

Decided July 18, 1919.

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A. F. Lemberger, for Applicant.

LOVELAND, Commissioner.

**OPINION.**

This is an application brought by Mount Jackson Water and Power Company, asking that this Commission authorize it to increase its rates charged for water.

Applicant alleges in effect that Mount Jackson Water and Power Company, hereinafter referred to as applicant, is a corporation duly organized under the laws of this state, for the purpose of constructing and operating a water plant to supply water to the inhabitants of Rionido and vicinity, Sonoma County; that the schedule of rates in effect was established by this Commission in its Decision No. 755, *In the Matter of the Application of Mount Jackson Water and Power Company for Authority to Increase Domestic Water Rates*, Application No. 566, decided June 27, 1913, Vol. 2, Opinions and Orders of the Railroad Commission of California, p. 1088; and that the income produced by these rates is insufficient to meet cost of operation, depreciation, and amortization of applicant's outstanding indebtedness.

Wherefore, applicant asks that it be authorized to put into effect as of July 1, 1919, such increased rates as seem just and reasonable. The rates heretofore established by this Commission, which applicant is now charging its consumers, are as follows:

For every dwelling house a minimum flat rate of \$6 per year.

For each month when water is used for domestic purposes:

January to May, inclusive	\$0 25 per month
June to August, inclusive	1 25 per month
September to December, inclusive	0 25 per month
Northwestern Pacific Railroad Company, for use not to exceed 15,000 gallons per day	\$200 00 per year
Rionido Hotel	\$6 00 per year
For street sprinkling, per 1000 gallons	20 cents



A public hearing was held on the above-entitled application in San Francisco on May 21, 1919.

Rionido is a summer colony located on the Russian River in Sonoma County. A large proportion of the consumers of water under the Mount Jackson Water and Power Company system are summer residents who remain only for a short time each summer. During the summer months applicant delivers water to some 167 consumers, whereas there are not over 15 residents who are served during the entire year. The district served is still in its development state, the consumers being widely scattered, necessitating a distribution system of great extent for the number of consumers served.

At the hearing, applicant submitted evidence in regard to its financial condition, to the effect that it has outstanding a note for \$10,000, issued with the approval of this Commission, another note of \$500, and current indebtedness aggregating between \$2,500 and \$3,000, or a total outstanding indebtedness of approximately \$13,000.

The rate schedule now in effect has at no time produced a sufficient revenue to enable applicant to declare a dividend.

A field investigation and appraisal of this system was made by Mr. C. I. Rhodes, one of the hydraulic engineers of the Commission. His report shows an estimated original cost of the property of \$15,407, an estimated reproduction cost of \$24,630, and an annual replacement fund of \$242. This large investment for the number of consumers served is necessary, both because of the necessity for collecting the water supply from various tunnels, creeks and springs, and also because of the fact that the area served is sparsely settled.

The following tabulation, submitted by Mr. Rhodes, shows the operating expense and gross revenue for the years 1917 and 1918, and the estimated reasonable operating expense for 1919:

Item	1917	1918	Estimated, 1919
Operating labor and expense.....	\$887 40	\$1,104 50	\$1,280 00
Repairs to operating capital.....	53 75	41 34	50 00
General and commercial expense.....	673 50	735 68	750 00
Taxes .....	84 60	121 00	130 00
Power .....	84 80	96 38	100 00
Rental of right of way.....	90 00	90 00	90 00
Insurance .....			
Total operating expense.....	\$1,876 05	\$2,188 90	\$2,480 00
Gross revenue .....	\$1,927 05	\$1,914 90	

The annual charges set out above, including interest at 8 per cent on the estimated original cost, total \$3,900.

In view of the fact that the area served is sparsely settled and that the system is overbuilt to serve the present number of consumers, it would be unjust to attempt to realize so large a revenue.

Mr. T. C. Mellersh, president and manager of the company, estimates that with very little additional expenditure for pumping equipment, the existing system could supply at least one hundred additional consumers. Because of the wide variation in the number of consumers served during the year, and the fact that the company must stand ready at all times to deliver water to these consumers, it is a very difficult matter to establish a rate schedule that will distribute the expense of maintaining and operating a system of this character, equitably among the consumers. Those consumers who reside at Rionido only for a short time each year, have maintained for their benefit a system of much larger capacity than would be necessary to serve a population using a like quantity of water delivered during twelve months rather than during three months, as at present. It is therefore necessary that an annual charge be established of sufficient size to meet the cost incurred by the utility due to its readiness to serve.

After a careful consideration of the form of rate schedule in effect in other localities, it appears that the rate schedule established in the order following will equitably distribute the expense among the consumers. The rate schedule established herein will produce a revenue sufficient to meet operating expenses, depreciation, and return to applicant a sum for interest on a portion of its investment.

#### ORDER.

Mount Jackson Water and Power Company having made application to this Commission for authority to increase its rates, a public hearing having been held and the Commission being fully informed in the premises,

*It is hereby found as a fact* that the present rate schedule of the Mount Jackson Water and Power Company, in so far as it differs from the rate schedule herein established, is unreasonable and unjust, and that the rates set out in the following schedule are just and reasonable rates; and basing its order upon the foregoing finding of fact, and upon the further statements of fact contained in the opinion preceding this order,

*It is hereby ordered* that Mount Jackson Water and Power Company be, and it is hereby, authorized and directed to file with this Commission within twenty (20) days from the date of this order, the following schedule of rates to be charged to its consumers for all water delivered subsequent to June 30, 1919:

*Flat Rates.*

Minimum annual charge, payable in advance, which entitles consumer to a maximum of 400 cubic feet of water per month for four months.....	\$14 00
For each additional month, which entitles the consumer to 400 cubic feet of water .....	1 00
Flat rates for entire year, payable in advance, which entitles consumer to 400 cubic feet of water monthly.....	18 00

*Meter Rates.*

Minimum annual charge, payable in advance, which entitles consumer to a maximum of 400 cubic feet of water per month four four months.....	14 00
All use during other months, 400 cubic feet or less.....	1 00
For use over 400 cubic feet:	
Next 3000 cubic feet.....	20 cents per 100 cubic feet
Above 4000 cubic feet.....	15 cents per 100 cubic feet

*It is hereby further ordered* that within thirty (30) days from the date of this order, applicant, shall file with this Commission rules and regulations for its approval, and shall put same into effect as amended and corrected, which rules and regulations shall provide, among other things, as follows:

- (1) That payment may be made for the full current year in advance, at the option of the consumer.
- (2) That the company may bill consumers on July 1, 1919, for the entire annual charge and on January 1, 1920, shall bill for one-half of the annual charge which is the balance due for the calendar year 1920.
- (3) That subsequent to January 1, 1920, the annual charges shall be due and payable on January 1 of each year.
- (4) That in the event that a consumer receives service for only a portion of the month, the rates for the full month will be charged.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this eighteenth day of July, 1919.

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DECISION No. 6511.

IN THE MATTER OF THE APPLICATION OF CALIFORNIA-OREGON POWER COMPANY FOR ORDER READJUSTING AND FIXING ITS RATES AND CHARGES FOR ELECTRIC ENERGY.

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Application No. 4196.

Decided July 18, 1919.

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BY THE COMMISSION.

**SUPPLEMENTAL ORDER.**

The electric rates under Schedule No. 7, as set forth under Decision No. 6484, dated July 10, 1919, applicable to gold dredging service, read as follows:

*Rate:*

First 50,000 K. W. H. per meter per month.....	1 cent per K. W. H.
All over 50,000 K. W. H. per meter per month.....	7 cents per K. W. H.

As a portion of the above rate was inadvertently omitted,

*It is hereby ordered* that California-Oregon Power Company cancel Schedule No. 7, as set forth in Decision No. 6484, dated July 10, 1919.

*It is hereby further ordered* that California-Oregon Power Company be, and the same is hereby, authorized to charge and collect for electric service rendered for gold dredging, based upon meter readings taken on and after July 15, 1919, the following rates and charges:

**SCHEDULE No. 7.**

**Gold dredging service:**

Applicable to installation of 300 horsepower or over.

**Territory:**

Applicable to entire territory served by company.

**Rate:**

First 50,000 K. W. H. per meter per month-----1 cent per K. W. H.  
Next 50,000 K. W. H. per meter per month-----9 cents per K. W. H.  
All over 100,000 K. W. H. per meter per month-----7 cents per K. W. H.

**Minimum charge:**

\$1.00 per horsepower of connected load per month, but not less than \$300 per month.

**Special conditions:**

Energy will be supplied at the primary distribution voltage of 2300, 4000, 6000 or 11,000 volts, depending on the locality in which service is desired.

*It is hereby further ordered* that California-Oregon Power Company shall file within ten (10) days after the date of this order the schedule of rates herein established.

Dated at San Francisco, California, this eighteenth day of July, 1919.

**DECISION No. 6512.**

**IN THE MATTER OF THE APPLICATION OF J. M. NELSON TO INCREASE WAREHOUSE RATES.**

**Application No. 4692.**

**Decided July 18, 1919.**

*J. M. Nelson, in propria persona.*

*MARTIN, Commissioner.*

**OPINION.**

Applicant herein requests authority to increase rates charged for the storage of beans, grain and rice in his warehouse located on the Sacramento River in Sutter County, four miles below the village of Grimes. Rates now in effect and rates proposed in the application, covering the storage season ending May 31, are as follows:

	Present.	Proposed.
Beans and grain -----	80 cents per ton	\$1 50 per ton
Rice -----	5 cents per bag	07 per bag

In support of the request it is alleged that the season during which applicant must be prepared to receive commodities for storage extends from June to November; that applicant's rates are lower than rates charged by other warehousemen storing similar commodities in the same vicinity; and that the cost of operating applicant's warehouse has materially increased, due in large measure to higher wages paid to employees.

A hearing on the application was held in Sacramento on July 14, 1919. The usual publicity was given, including individual notice to applicant's patrons, but no one appeared to oppose the increases sought. The testimony showed that the original cost of warehouse and scale was \$4,600, to which improvements valued at \$1,000 were added in 1917, making an investment of \$5,600; that the extreme capacity of the warehouse is 2000 tons of barley; that the operation of the warehouse produced a gross revenue of \$1,600 for 1918-19, against which were chargeable necessary expenses amounting to \$1,690, showing a net loss of \$90.

At the hearing, applicant made a verbal request and was granted authority to amend his application to the basis of \$1.25 per ton per season for the storage of beans and grain and 6 cents per bag for the storage of rice, which rates applicant considered fair and reasonable for the service involved in handling these commodities at his warehouse at the present time. Such proposed rates are slightly higher in some instances than rates in effect at other warehouses in the same district, and somewhat lower in other instances; it is not unfair to presume, until otherwise demonstrated, that conditions surrounding the service justify these slight variations in warehouse rates. Deliveries from applicant's warehouse are made almost entirely to vessels plying the Sacramento River, loading being done exclusively by boats' crews; local deliveries to teams are insignificant, loading in such cases being done by the owner of the commodity or the driver of the vehicle.

It is applicant's opinion that the present season will produce at least a normal harvest, and that applicant's warehouse will probably be filled to capacity with grain; also that beans and rice will be stored in limited quantities at a later season, occupying such space as may be available by reason of grain moving out. Capacity storage at applicant's warehouse, consisting of 1500 tons of grain and beans and 500 tons of rice would, under the rates proposed, produce approximately \$775 additional revenue; which, after taking care of the \$90 alleged deficit involved in last year's operations, would leave a balance of \$685 to meet increases, if any, in operating costs since 1918, and apply as interest on applicant's alleged investment of \$5,600.

For the foregoing reasons, I am of the opinion that the application as amended should be granted, and recommend the following form of order:

**ORDER.**

J. M. Nelson, a warehouseman, having made application to the Railroad Commission for authority to increase rates at his warehouse, located on Sacramento River, in Sutter County, a hearing having been held thereon, the matter having been submitted and being now ready for decision,

*It is hereby found as a fact* that the rates now charged by applicant, in so far as they differ from the rates set forth herein, are noncompensatory and that the following rates are just and reasonable for the service involved.

Basing its order on the foregoing finding of fact and upon other facts and figures contained in the opinion preceding this order,

*It is hereby ordered* that J. M. Nelson be, and he is hereby, authorized to publish and file with this Commission, within thirty (30) days from the date hereof, a warehouse tariff showing the following schedule of rates:

*Storage Rates.*

	Grain and beans.	Rice.
Per season ending May 31, following deposit and each season thereafter-----	\$1 25 per ton	6 cents per bag

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this eighteenth day of July, 1919.

**DECISION No. 6513.**

IN THE MATTER OF THE APPLICATION OF SOUTHERN COUNTIES GAS COMPANY OF CALIFORNIA FOR AN ORDER PRELIMINARY TO THE ISSUANCE OF A CERTIFICATE THAT PUBLIC CONVENIENCE AND NECESSITY REQUIRE THE EXERCISE OF RIGHTS AND PRIVILEGES UNDER FRANCHISES TO BE SECURED FOR THE DISTRIBUTION OF GAS IN THE COUNTY OF VENTURA AND IN THE CITY OF FILLMORE.

**Application No. 4493.**

Decided July 18, 1919.

*Hunsaker, Britt & Edwards*, by *Leroy M. Edwards* and *Robert M. Clarke*, for Applicant.

*Harry J. Bauer* and *William G. Griffith*, for Santa Barbara Gas and Electric Company and Southern California Edison Company.

*W. P. Butcher*, for city of Santa Barbara.

*H. F. Orr*, and *Adolph Zwirn*, for city of Ventura.

*J. A. Galvin*, for city of Fillmore.

LOVELAND, BRUNDIGE, *Commissioners*.

**OPINION.**

This is an application by the Southern Counties Gas Company for an order preliminary to the issuance of certificates of public convenience and necessity relative to the exercise of the rights of franchises

for laying of mains and the distribution of gas in the county of Ventura and in the city of Fillmore. A public hearing was held at Santa Barbara on April 28, 1919, and the matter thereupon submitted.

At the time of the hearing Southern Counties Gas Company had pending before this Commission its application to purchase the gas properties of the Santa Barbara Gas and Electric Company and the gas properties of the Southern California Edison Company in and about Ventura, which purchase has been approved and authorized by this Commission in its Decision No. 6362 in Application No. 4440, dated May 29, 1919.

In connection with the transfer of the Ventura properties, it was found that no franchise had ever been granted by the county of Ventura to the predecessor companies, which had operated only under a permit granted by the board of supervisors. Southern Counties Gas Company thereupon applied to the board of supervisors of Ventura County for the necessary franchise, copy of said application and a map of the county of Ventura, showing the territory which is to be covered by the proposed franchise, being filed with the application herein. A copy of the notice of the proposed sale and grant of said franchise by the board of supervisors of the county of Ventura was also filed at the hearing in this proceeding.

Up to the time of the hearing said franchise had not been granted, but subsequently, on the seventh day of May, 1919, the board of supervisors of Ventura County, in compliance with the statutes of the State of California duly passed its Ordinance No. 208, wherein and whereby Southern Counties Gas Company was granted a franchise for a period of thirty years to lay and maintain gas pipes and appurtenances in all public highways within the limits of the county of Ventura, and to distribute gas therein, a copy of which ordinance has been duly filed with the Railroad Commission. Thereafter on the thirteenth day of June, 1919, the board of directors of the Southern Counties Gas Company, by resolution duly stipulated that it, its successors and assigns, will never claim before the Railroad Commission or any court, or other public body, a value for the rights and privileges of the franchise granted under said Ordinance No. 208 of the county of Ventura in excess of the actual cost to the said Southern Counties Gas Company of acquiring said franchise, which cost is stated in said stipulation to be the sum of \$250. This stipulation has been duly filed with the Railroad Commission and is in form satisfactory to this Commission.

Southern Counties Gas Company further discloses its intention to supply gas in the city of Fillmore, Ventura County, which locality has not in the past been supplied with gas, and in furtherance of this intention Southern Counties Gas Company applied to the board of

trustees of the city of Fillmore for the necessary franchise. The notice of the proposed sale and grant of franchise by the board of trustees of the city of Fillmore was filed at the hearing herein.

Southern Counties Gas Company shows that there is a demand for gas service in the city of Fillmore, that the city is of sufficient size and the demand for gas service therein warrants the installation of a gas distribution system.

Up to the time of the hearing, however, said franchise had not been granted by the board of trustees of the city of Fillmore, but subsequently, on the thirteenth day of May, 1919, the board of trustees of the city of Fillmore in compliance with the statutes of the State of California duly passed its Ordinance No. 47 wherein and whereby Southern Counties Gas Company was granted a franchise for a period of thirty years to lay and maintain gas pipe and appurtenances in the public streets within the limits of the city of Fillmore and to distribute gas therein, a copy of which ordinance has been duly filed with the Railroad Commission. Thereafter on the thirteenth day of June, 1919, the board of directors of the Southern Counties Gas Company by resolution duly stipulated that it, its successors and assigns would never claim before the Railroad Commission, or any court, or other public body, a value for the rights and privileges of the franchise granted under said Ordinance No. 47 of the city of Fillmore in excess of the actual cost to said Southern Counties Gas Company of acquiring said franchise, which cost is stated in said stipulation to be the sum of \$240. This stipulation has been duly filed with the Railroad Commission and is in form satisfactory to the Commission.

Although the application herein asks only for an order preliminary to the issuance of certificates of public convenience and necessity, the franchises have now been duly granted and the required stipulations as to its claims for the values thereof have been duly filed by Southern Counties Gas Company. We shall therefore make the final order herein.

We find as a fact that public convenience and necessity require the exercise by Southern Counties Gas Company of the rights and privileges of the franchises granted to it by Ordinance No. 208 of the County of Ventura and by Ordinance No. 47 of the City of Fillmore, and submit the following form of order:

#### ORDER.

Southern Counties Gas Company having applied to the Railroad Commission for a certificate of public convenience and necessity for the exercise of the rights and privileges under certain franchises of the county of Ventura and the city of Fillmore; a hearing having been



held; copies of said franchises and stipulations as to its claims for the values thereof having been duly filed by the Southern Counties Gas Company in form satisfactory to this Commission.

The Railroad Commission of the State of California hereby declares that public convenience and necessity require and will require the exercise by Southern Counties Gas Company of the rights and privileges of the franchises granted to it by Ordinance No. 208 of the county of Ventura as passed and approved on May 7, 1919, by the board of supervisors of said county of Ventura, and by Ordinance No. 47 of the city of Fillmore as passed and approved on May 13, 1919, by the board of trustees of said city of Fillmore.

The foregoing opinion and order is hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this eighteenth day of July, 1919.

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DECISION No. 6517.

IN THE MATTER OF THE APPLICATION OF THE SOUTHERN SIERRAS POWER COMPANY, AN ELECTRICAL CORPORATION, FOR AN ORDER AUTHORIZING THE ISSUE AND SALE OF SIX HUNDRED EIGHTY THOUSAND TWO HUNDRED FORTY-SIX DOLLARS AND FIFTY-TWO CENTS FACE VALUE OF ITS FIRST AND REFUNDING MORTGAGE GOLD BONDS.

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Application No. 4737.

Decided July 19, 1919.

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Applicant showing a net investment in betterments and additions to plant in the sum of \$800,200.03, of which amount no part has been capitalized, a preliminary order is made permitting the issuance of \$500,000 face value of 6 per cent first and refunding mortgage bonds to be sold at not less than 85, proceeds to pay in part open account indebtedness due to holding companies.

*Charles F. Potter*, for Applicant.

*MARTIN*, *Commissioner*.

**OPINION.**

The Southern Sierras Power Company asks permission to issue and sell at not less than 85 per cent of their face value, plus accrued interest, \$680,246.52 of its 6 per cent first and refunding mortgage bonds, due January 1, 1965, and use the proceeds to pay indebtedness incurred for the purpose of paying for the construction of extensions, additions and betterments to its plant and system.

The record shows that The Southern Sierras Power Company operates electric generating plants having a rated capacity of 34,315 K. V. A. It owns a 8,000-K. V. A. steam plant located at San Bernardino, a 65-K. V. A. Diesel engine plant, located at Blythe, a 1,500-K. V. A. and a 2,000-K. V. A. hydroelectric plant located on Bishop Creek, Inyo County. In addition it has leased from The Nevada-California Power Company three hydroelectric plants having a capacity of 10,000 K. V. A., 6,750 K. V. A. and 6,000 K. V. A., respectively. Applicant transmits electric energy over a high voltage line to points in Inyo County, in the eastern portion of Kern County, in San Bernardino, Riverside and Imperial counties. In the transmission of electric energy applicant operates a transmission line over 400 miles in length, extending from Bishop, Inyo County, through San Bernardino to El Centro and Yuma. Applicant operates over an extended area and in 1918 obtained about 63 per cent of its gross revenues from operations outside of incorporated territory. It operates in Bishop, San Bernardino, Redlands, Riverside, Corona, Perris, San Jacinto, Hemet, Elsinore, Rialto and Blythe and territory adjacent thereto. In addition applicant sells electrical energy to Holton Power Company, operating in Imperial County, to Yuma Light, Gas and Water Company, operating in Yuma, and to Ghriest and Son, who own a distributing system in Banning.

In 1918 applicant reported gross revenues of \$1,147,324.05 as compared with \$821,249.49 in 1917. After paying operating expenses, exclusive of depreciation, taxes, interest, rent and other fixed charges, applicant in 1917 reported a surplus of \$142,088.31 as compared with \$131,329.25 in 1918.

As of May 31, 1919, applicant reports its assets and liabilities as follows:

<i>Asset Accounts.</i>	
Fixed capital .....	\$5,891,500 93
Construction work in progress.....	718,338 68
U. S. Victory Liberty Loan notes.....	1,000 00
Special deposits .....	706 60
Materials and supplies .....	199,488 32
Cash .....	62,860 73
Accounts receivable, exclusive of intercompany accounts.....	194,559 93
Due from affiliated companies.....	670,556 84
Prepaid insurance and other expense.....	8,484 01
Unamortized discounts and expense.....	5,349,579 62
Stock .....	\$4,995,550 00
Bonds .....	354,229 62
Unadjusted debit item.....	2,105 03
Total asset accounts .....	\$13,099,180 69

<i>Liability Accounts.</i>	
Capital stock outstanding-----	\$5,000,000 00
Funded debt outstanding-----	3,999,000 00
Outstanding bond coupons-----	675 00
Current liabilities, exclusive of intercompany accounts-----	324,140 67
Due Nevada-California Power Company-----	1,982,044 23
Principal -----	\$1,920,900 09
Interest -----	61,135 14
Due Nevada-California Electric Corporation-----	1,375,115 96
Principal -----	\$1,331,435 28
Interest -----	43,680 68
Reserves -----	32,720 26
Discounts and premiums on bonds redeemed-----	633 25
Surplus -----	384,851 32
Total liability accounts-----	\$13,099,180 69

Applicant in an exhibit attached to the petition herein reports that from December 1, 1914, to December 31, 1918, it expended for the purpose of paying for the construction of improvements, additions and betterments to its plant, the sum of \$1,011,057 and that during the same period it retired property representing a cost of \$210,766.97, leaving a net investment of \$800,290.03. The moneys necessary to pay for the improvements were, in the main, obtained from The Nevada-California Power Company and Nevada-California Electric Corporation. Applicant reports that on May 31, 1919, it owed the former company the sum of \$1,982,044.23 and the latter \$1,375,115.96. This liability, which includes some accrued and unpaid interest, is carried on the books of applicant as an open account indebtedness.

P. R. Ferguson, auditor of The Southern Sierras Power Company, testified that it was necessary for applicant to refund a part of its open account indebtedness. His testimony shows that because of a net investment of \$800,290.03, applicant is under its first and refunding mortgage permitted to issue \$680,246.52 of bonds; that applicant has issued no stock or bonds to pay for any expenditures on capital account incurred since December 1, 1914, and that applicant is now paying 8 per cent interest on its open account indebtedness. If applicant issues the bonds herein applied for at 85, the effective interest rate will be approximately 7 per cent as compared with 8 per cent now being paid by it on its indebtedness due The Nevada-California Power Company and Nevada-California Electric Corporation.

Neither the Commission's engineers nor accountants have completed their check of applicant's construction expenditures. I believe, however, that the facts and circumstances, as shown by the record herein, justify the Commission in making a preliminary order permitting applicant to issue not in excess of \$500,000 of its first and refunding mortgage bonds. These bonds should be issued for the purpose of refunding a part of applicant's open account indebtedness. A final order will be hereafter made in this proceeding.

I herewith submit the following form of order:

**ORDER.**

The Southern Sierras Power Company having applied to the Railroad Commission for permission to issue bonds, a public hearing having been held and the Commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose or purposes specified in this order, and that the expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income,

*It is hereby ordered* that The Southern Sierras Power Company be, and it is hereby, granted authority to issue and sell at not less than 85 per cent of their face value, plus accrued interest, \$500,000 of its 6 per cent first and refunding mortgage bonds, due January 1, 1965, provided—

1. That the bonds will be issued for the purpose of refunding part of applicant's open account indebtedness, payable to The Nevada-California Power Company or Nevada-California Electric Corporation.

2. That The Southern Sierras Power Company keep such record of the issue and sale of the bonds herein authorized and of the disposition of the proceeds, as will enable it to file on or before the twenty-fifth day of each month a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

3. That the authority herein granted will not become effective until applicant has paid the fee prescribed by the Public Utilities Act.

4. That the authority herein granted will apply only to such bonds as may be issued on or before December 15, 1919.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this nineteenth day of July, 1919.

## DECISION No. 6520.

IN THE MATTER OF THE APPLICATION OF WALKER D. HINES,  
DIRECTOR GENERAL OF RAILROADS, OPERATING LOS ANGELES  
AND SALT LAKE RAILROAD, FOR PERMISSION TO ABANDON  
STATION AT NIPTON, CALIFORNIA.

Application No. 4677.

Decided July 24, 1919.

Applicant granted permission to discontinue its station at Nipton as an agency station and operate same hereafter as a flag stop only for the purpose of discharging and picking up passengers.

*E. E. Bennett and Dana T. Smith, for Applicant.*

*LOVELAND, Commissioner.*

## OPINION.

Walker D. Hines, Director General of Railroads, operating Los Angeles and Salt Lake Railroad, has petitioned the Railroad Commission for an order authorizing the discontinuance and abandonment of the station heretofore maintained at Nipton, California.

A public hearing was held at Los Angeles on July 7, 1919, the matter was duly submitted and is now ready for decision.

The station of Nipton has been maintained by the applicant herein and his predecessors in interest for some years, having been originally established to serve the mining district known as Searchlight, some twenty-three miles distant, stages serving as a means of communication. The activities at Searchlight have been reduced to a minimum and the stage line has been discontinued. On April 5, 1919, the station building at Nipton was destroyed by fire and same has not been rebuilt.

A statement presented by applicant showing the business transacted during the calendar year ending March 31, 1919, shows the following data:

	No.	Amount
Tickets sold .....	132	\$741 23
Excess baggage collections .....		5 63
Freight received (lbs.) .....	288,252	521 88
Freight forwarded (lbs.) .....	7,552	62 92

The expense of maintaining the agency station is estimated at approximately from \$125 to \$140 per month. The territory adjacent to Nipton is desert and there are no agricultural products of any kind or other business justifying the rebuilding and maintenance of an agency station.

Patrons who may desire to use the line of applicant will be served at Ivanpah, located 10.3 miles west and an agency station; or from Jean, located 23.6 miles east and an agency station; or from Desert, 4.9 miles east, where a nonagency station and pumping plant is located. The

station of Nipton will remain as a flag station for passengers only, and passengers desiring to board or leave trains at such point will be accorded such privilege.

In view of the evidence in this proceeding, I am of the opinion and find as a fact that the public convenience and necessity do not require the maintenance of an agency station at Nipton and that public necessity will be served by the establishment of a flag station for the accommodation of such occasional passengers as may desire to leave or board trains at such point.

Herewith the following form of order:

**ORDER.**

Walker D. Hines, Director General of Railroads, operating Los Angeles and Salt Lake Railroad, having made application for permission to discontinue the agency station heretofore maintained at Nipton, California, a public hearing having been held, the matter having been duly submitted and the Commission being fully advised and basing its order on the finding of fact as set forth in the opinion which precedes this order,

*It is hereby ordered* that this application be, and the same hereby is, granted subject to the provision that said station of Nipton will hereafter be classed as a flag station and that passenger trains operated by applicant and his successors in interest will stop to discharge passengers upon notice to train conductors and will pick up passengers upon being flagged for such purpose.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-fourth day of July, 1919.

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DECISION No. 6522.

IN THE MATTER OF THE APPLICATION OF WESTERN STATES GAS AND ELECTRIC COMPANY, A CORPORATION, FOR AN ORDER AUTHORIZING THE ISSUE OF BONDS OF THE FACE VALUE OF FOUR HUNDRED AND FIFTY THOUSAND DOLLARS.

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Application No. 4312.

Decided July 29, 1919.

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BY THE COMMISSION.

**THIRD SUPPLEMENTAL ORDER.**

Western States Gas and Electric Company having filed with the Railroad Commission a statement showing that during April, May and

June, 1919, it has expended for construction purposes, the sum of \$121,701.22, and it appearing that the sum so expended was for proper capital purposes; now, therefore,

*It is hereby ordered* that Western States Gas and Electric Company be, and it is hereby, granted authority to withdraw cash deposited with the trustee pursuant to the order in Decision No. 6117, dated February 13, 1919, in an amount equivalent to the proceeds realized from the sale of \$91,275.91 of bonds, said bonds being equal to 75 per cent of applicant's expenditures on capital account during April, May and June, 1919.

*It is hereby further ordered* that the order in Decision No. 6117, dated February 13, 1919, as amended, shall remain in full force and effect except as modified by this third supplemental order.

Dated at San Francisco, California, this twenty-ninth day of July, 1919.

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DECISION No. 6523.

IN THE MATTER OF THE APPLICATION OF A. R. G. BUS COMPANY, A CORPORATION, WILL R. FORKER, AND MORELAND MOTOR TRUCK COMPANY, A CORPORATION, FOR PERMISSION AS TO THE TRANSFER OF CERTAIN FRANCHISES, RIGHTS AND PERMITS FROM THE A. R. G. BUS COMPANY TO MORELAND MOTOR TRUCK COMPANY AND FROM IT TO THE SAID WILL R. FORKER.

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Application No. 4779.

Decided July 29, 1919.

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BY THE COMMISSION.

**ORDER.**

A. R. G. Bus Company, a corporation, Will R. Forker, and Moreland Motor Truck Company, a corporation, have petitioned the Railroad Commission for an order authorizing the sale, transfer and assignment of certain operative rights of the A. R. G. Bus Company over routes as hereinafter specified to the Moreland Motor Truck Company, a corporation, said operative rights to be thereupon transferred to Will R. Forker as trustee for said Moreland Motor Truck Company.

The application in this proceeding sets forth the fact that the applicant, A. R. G. Bus Company, is indebted to the Moreland Motor Truck Company for equipment purchased on lease contract and for repair parts and other merchandise; that in satisfaction of such financial obligation certain agreements have been executed and in connection with such agreements were executed certain bills of sale covering operative rights heretofore held by the A. R. G. Bus Company which are to pass

to the Moreland Motor Truck Company, such operative rights having been acquired by the A. R. G. Bus Company by reason of operation having been given in good faith over the routes hereinafter specified on May 1, 1917, and continuously since such date, the legislature having fixed such date as that upon which operators of stage lines who were giving service need not obtain a certificate of public convenience and necessity from the Railroad Commission nor permits from the governing bodies of the various political subdivisions through which said routes operated. Copies of the agreements and bills of sale are attached to and form a part of the application in this proceeding.

The Moreland Motor Truck Company, applicant in this proceeding, is not authorized by its articles of incorporation to conduct the business of a common carrier and does not desire so to do. It proposes to immediately transfer the rights and privileges to be acquired from the applicant A. R. G. Bus Company to Will R. Forker as trustee for said Moreland Motor Truck Company, said Forker to continue operation of stage lines over the routes as hereinafter specified until such time as arrangements may be made for the sale or other disposition of said operative rights.

The transfer of the operative rights, as sought by applicants in this proceeding, requires the approval of the Railroad Commission and this proceeding is brought under the provisions of section 5 of chapter 213, laws of 1917, as amended by chapter 280, laws of 1919, a portion of such section referring to the requirement that the approval of the Railroad Commission must be given for the transfer or assignment of operative rights of automobile stage or truck companies operating as common carriers under the jurisdiction of the Railroad Commission.

We are of the opinion that this is a matter in which a public hearing is not necessary and that the application should be granted.

*It is hereby ordered* that the operative rights and privileges heretofore acquired by the A. R. G. Bus Company, a corporation, by reason of operation having been given in good faith over the following described routes prior to and continuously since May 1, 1917, and which are referred to in certain bills of sale dated May 31, 1919, copies of same being filed with the application in this proceeding, be and the same hereby are approved for transfer to the Moreland Motor Truck Company, a corporation, said routes being as follows:

"Between the city of Los Angeles, California, and the city of Ontario, California, and all way points, over that public highway commonly called the 'Valley boulevard.' Said Valley boulevard runs in a generally easterly and westerly direction, is paved and passes through the cities and towns of Alhambra, El Monte, Puente and Pomona."

"Between the city of Ontario, California, and the city of Riverside, California, and all way points over that public highway described as follows: From office 126 N. Euclid avenue, Ontario; south on Euclid avenue to A street; east on



A street to Bon View avenue; south on Bon View avenue to Riverside boulevard; east via Collins Station, Wineville and Riverside; east on Seventh street, Riverside to Main street; south on Main street to Eighth street; west on Eighth street to No. 741 W. Eighth street."

"Between the city of San Bernardino, California, and the city of Redlands, California, and all way points over that public highway described as follows: East on Third street to E street; south on E street to Colton avenue; east on Colton avenue to Loma Linda drive; south on Loma Linda drive to Mountain View avenue; east on Mountain View avenue to Redlands Junction and Brookside avenue, Redlands; east on Citrus street to Orange street; north on Orange street to State street."

"Between the city of Ontario, California, and the city of San Bernardino, California, and all way points over that public highway described as follows: From office No. 126 N. Euclid avenue, Ontario; north on Euclid avenue to Ninth street, Upland; east on Ninth street to Second avenue; north on Second avenue to Tenth street; east on Tenth street to Foothill boulevard, Cucamonga, Etiwanda, Fontana, Rialto, to Fourth street, San Bernardino, east on Fourth street to Mount Vernon street, south on Mount Vernon street to Third street; east on Third street to F street."

"Between the city of Pomona, California, and the city of Chino, California, and all way points over that public highway described as follows: From office No. 246 Garey avenue, north on Garey avenue to Holt avenue; east on Holt avenue to Central avenue, Riverside drive; west on Riverside drive to Sixth street, Chino; south on Sixth street to "D" street No. 391 Sixth street."

The transfer of the operative rights and privileges hereinabove authorized shall not become effective until applicant, Moreland Motor Truck Company, shall have secured from the Railroad Commission a supplemental order herein reciting that said Moreland Motor Truck Company has filed herein certified copy of a transfer to Will R. Forker, trustee, of the operative rights and privileges over the routes hereinabove specified and until said Will R. Forker, trustee, will have complied with the regulations and requirements of the Railroad Commission regarding the filing of tariffs and time schedules.

At the time of transfer of the operative rights and privileges from applicant, Moreland Motor Truck Company, to Will R. Forker, trustee, the applicant A. R. G. Bus Company will be required to cancel and withdraw all tariffs and time schedules now on file with the Railroad Commission and covering service over the routes as hereinabove specified.

The Railroad Commission reserves the right to make such other and further orders in this proceeding as to it may seem just and proper or as the public interest may demand.

Dated at San Francisco, California, this twenty-ninth day of July, 1919.

## DECISION No. 6526.

IN THE MATTER OF THE RELOCATION, RECONSTRUCTION AND SAFETY OF THE RAILROAD CROSSING ON MOUNT VERNON AVENUE, NEAR THE CITY OF COLTON, SAN BERNARDINO COUNTY, CALIFORNIA.

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Case No. 1313.

Decided July 30, 1919.

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**GRADE CROSSINGS—RELOCATION OF—APPORTIONMENT OF COSTS.**—In an investigation initiated on the Commission's own motion where it is shown that an established crossing is located at a dangerous point, its removal is directed and the cost of relocating same is apportioned between the county in which it is located and the railroad company over whose tracks the crossing is constructed.

*John L. Campbell*, deputy district attorney, for the county of San Bernardino.

*M. O. Hert*, city attorney, for the city of Colton.

*F. B. Austin* and *E. H. Miller*, for the United States Railroad Administration, Southern Pacific Company.

*J. H. McClymonds*, for Pacific Fruit Express Company.

BY THE COMMISSION.

**OPINION.**

This matter is the outgrowth of recommendations made by the engineering department of this Commission in Report No. 742 of the state-wide grade crossing survey conducted during the years 1916 and 1917. In this report it was recommended that this crossing be abandoned and a new crossing constructed about thirteen hundred (1300) feet east.

Upon the Commission's own motion, an investigation was conducted on June 10, 1919, before Examiner Encell at San Bernardino.

People living south of the Santa Ana River use this crossing to go to Colton or San Bernardino. The former city can just as conveniently be reached over "L" street, but the direct route to the latter city is over Mount Vernon avenue.

This is an exceedingly dangerous crossing, due to the fact that it is located at one end of the railroad company's yards. It crosses twenty-seven (27) tracks, of which thirteen (13) are owned by the Pacific Fruit Express Company. Eight of these thirteen tracks are not continued west of the street. The crossing is protected by an automatic bell, which rings continually.

It has been proposed that a new road be constructed easterly from the intersection of "M" street and Mount Vernon avenue to the Riverside Water Company's canal; thence in a northeasterly direction more or less parallel with the canal for about six hundred (600) feet; thence northerly across the two Southern Pacific Company tracks to a point east of "I" street; thence west as a continuation of "I" street to the

end of "I" street, as shown on California Railroad Commission's Exhibit No. 1 herein filed June 10, 1919.

The evidence in this case shows that the Southern Pacific Company proposes to participate in the expense of this change, providing that the county is willing to provide the necessary right of way. This was agreed to by the county at the hearing. The cost of the proposed change, outside of the cost of the right of way, will probably amount to about five thousand (\$5,000) dollars.

As the existing crossing cuts through the railroad yards, its elimination is very desirable on the part of the Southern Pacific Company. It seems reasonable to apportion the cost between the railroad company and the county, as follows:

County of San Bernardino to donate the necessary right of way described above and the necessary fences; the Southern Pacific Company to pay for grading, rolling, oiling and sanding the road and the necessary culverts, etc.

#### ORDER.

The matter of improving the conditions surrounding the dangerous grade crossing over twenty-seven tracks of the Southern Pacific Company, and the Pacific Fruit Express Company at Mount Vernon avenue near the city of Colton, county of San Bernardino, State of California, having been considered by the Commission; a public hearing having been held; and it appearing to the Commission that the existing crossing should be abandoned and a new crossing constructed about thirteen hundred (1300) feet east on the new road to be laid out, as previously described and as shown on the map filed on June 10, 1919, as Railroad Commission's Exhibit No. 1,

*It is hereby ordered* that the existing crossing over the tracks of the Southern Pacific Company and the Pacific Fruit Express Company at Mount Vernon avenue near the city of Colton, county of San Bernardino, State of California, be abandoned and closed to public travel, and that fences be erected across said crossing as near the north line of "M" street and the south line of "I" street as is practical, in order to avoid the possibility of vehicles driving into a dead-end street.

*It is hereby further ordered* that a new crossing at grade be constructed at a point about thirteen hundred feet east of the crossing to be abandoned, said new crossing to be served by a road starting at "M" street and Mount Vernon avenue and ending at the east end of "I" street, as previously described and substantially as shown on the map filed in this proceeding as Railroad Commission's Exhibit No. 1, said new crossing and road to be constructed subject to the following conditions:

(1) The county of San Bernardino shall furnish the right of way for the new road and shall fence same, if necessary.

(2) The Southern Pacific Company shall pay the cost of constructing the new crossing and the new road to serve it. The Southern Pacific Company shall also pay the cost of closing the crossing to be abandoned.

(3) The Commission reserves the right to make such further orders relative to the location, construction, operation, maintenance and protection of said crossing as to it may seem right and proper, and to revoke its permission if, in its judgment, the public convenience and necessity demand such action.

Dated at San Francisco, California, this thirtieth day of July, 1919.

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DECISION No. 6532.

IN THE MATTER OF THE APPLICATION OF FRANK FRANCIS FOR  
CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY TO  
OPERATE STAGE SERVICE BETWEEN SANTA MONICA AND  
TOPANGA CANYON.

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Application No. 4611.

Decided July 30, 1919.

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CERTIFICATE—AUTO STAGE LINE—NECESSITY FOR SERVICE MUST BE SHOWN.—

An application for a certificate permitting the operation of an auto stage line, will be denied when the applicant is unable to show that public necessity requires such service. The mere statement that no stage line is at the time in operation between points proposed to be served is not sufficient showing upon which a certificate will be issued.

*Frank Francis, in propria persona.*

*T. J. Day, for Pacific Electric Railway Company, Protestant.*

BY THE COMMISSION.

**ORDER.**

Frank Francis has petitioned the Railroad Commission for an order declaring that public convenience and necessity require the operation by him of an automobile stage line as a common carrier of passengers between Santa Monica and Topanga Canyon.

A public hearing was conducted by Examiner Handford at Los Angeles, the matter was duly submitted and is now ready for decision.

Applicant proposes to charge rates in accordance with a schedule incorporated in the application in this proceeding, and to operate hourly service between the hours of 6.00 a.m. and 6.30 p.m., using as equipment one Ford automobile, with specially constructed body, having a seating capacity of seven passengers, licensed by State Motor Vehicle Department under License No. 357770.

The Pacific Electric Railway Company operates a street car service from Santa Monica to a wharf near what is known as the "Fish Camp" and oppose the granting of the application in so far as the applicant's route would parallel the existing service.

Applicant alleges in his petition that there is no service, other than that of the Pacific Electric Railway Company over a portion of the route, available for the public. At the hearing on this application there was no testimony offered other than that of the applicant and his testimony did not indicate that there was any public demand for the service but principally that he desired to enter the business of a common carrier over the route herein sought.

The Commission before granting a certificate of public convenience and necessity must be presented with an affirmative showing that public convenience and necessity require the establishment of transportation facilities as a common carrier. The fact that no transportation facilities exist over any route sought by an applicant is not a reason why an application should be granted and public necessity must be shown before a certificate will be issued. In this proceeding the testimony indicated that the applicant desired to enter the business, but with no further showing that there was any public demand or necessity for the establishment of the desired transportation service.

*The Railroad Commission hereby declares* that public convenience and necessity do not require the operation by Frank Francis of an automobile stage line as a common carrier of passengers between Santa Monica and Topanga Canyon, and

*It is hereby ordered* that this application be and the same hereby is denied.

Dated at San Francisco, California, this thirtieth day of July, 1919.

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DECISION No. 6533.

IN THE MATTER OF THE APPLICATION OF PASADENA ELECTRIC EXPRESS FOR A PERMIT TO SELL AND CONVEY ALL OF ITS PROPERTY, ASSETS AND EQUIPMENT.

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Application No. 4725-A.

Decided July 30, 1919.

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*Hahn & Hahn, by Edward F. Hahn, for Applicant.*

LOVELAND, *Commissioner.*

**OPINION.**

Pasadena Electric Express asks permission to sell to Pasadena Electric Express Company for \$37,500 par value of the capital stock of said

Pasadena Electric Express Company, all of its property, assets and equipment described in Exhibit "B," attached to the petition herein. The properties are to be transferred subject to a mortgage indebtedness on its real estate of \$19,500 which the said Pasadena Electric Express Company agrees to assume and pay.

The Pasadena Electric Express is operating an express transfer from Pasadena to Los Angeles over the Pacific Electric lines. In its petition applicant states the appraised value of its property to be \$68,701.05.

Pasadena Electric Express Company was formed to acquire the properties of Pasadena Electric Express. At the hearing held in the above-entitled matter, Mr. Archdeacon, the purchaser of the properties, testified that his reason for organizing a new corporation instead of purchasing the stock of the old company was the possibility of some liabilities against the old company, with which he was unfamiliar and for which he did not desire to become liable.

Mr. A. W. Bumiller, secretary of the selling company, testified that in addition to the \$19,500 mortgage hereinabove referred to, the selling company had outstanding against it, only current liabilities for which the purchaser was not liable.

It appeared at the hearing that the public would be better served by the transfer of the properties. Mr. Archdeacon, the purchaser, will enter the business with many years experience, and the introduction of his capital will give the company an opportunity of improving its equipment.

I herewith submit the following form of order:

#### ORDER.

Pasadena Electric Express having applied to the Railroad Commission for authority to sell its properties described in Exhibit "A" attached to the petition herein, to Pasadena Electric Express Company, a public hearing having been held and the Commission being of the opinion that this application should be granted,

*It is hereby ordered* that Pasadena Electric Express be, and it is hereby, granted authority to sell, subject to a mortgage indebtedness of \$19,500 on its real estate, all of its properties described in Exhibit "B" attached to the petition herein, to Pasadena Electric Express Company for 375 shares, of the par value of \$100 a share, of the capital stock of said Pasadena Electric Express Company.

The transfer of the properties is made subject to the following conditions and not otherwise:

1. Pasadena Electric Express Company shall assume and pay the \$19,500 mortgage on the real estate, hereinabove referred to.
2. The consideration at which the public utility properties are herein authorized to be transferred shall not be considered as a measure of

value of said properties before this Commission or any other public body for rate-fixing or any other purposes.

3. The authority herein granted to transfer the public utility properties shall not become effective until the Commission has approved the book entries relative to the transfer and purchase of the properties.

4. Within thirty days after the execution by the petitioners herein of an instrument of conveyance transferring the property herein referred to, a certified copy of said instrument of conveyance shall be filed with the Railroad Commission by Pasadena Electric Express Company.

5. The authority herein granted to transfer property shall apply only to such property as may be transferred on or before December 31, 1919.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this thirtieth day of July, 1919.

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DECISION No. 6534.

IN THE MATTER OF THE APPLICATION OF PASADENA ELECTRIC EXPRESS COMPANY FOR PERMIT TO ISSUE STOCK AND TO EXECUTE NOTE AND MORTGAGE.

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Application No. 4725.

Decided July 30, 1919.

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*Hahn & Hahn, by Edward F. Hahn, for Applicant.*

*LOVELAND, Commissioner.*

**OPINION.**

Pasadena Electric Express Company requests an order from the Railroad Commission permitting it to issue \$50,000 of common capital stock, to execute a mortgage, and to issue a \$9,500 3-year 6 per cent note secured by said mortgage.

A public hearing upon the application was held July 25, 1919, at Los Angeles.

Pasadena Electric Express Company was incorporated with a capital stock of 750 shares of common stock of a par value of \$75,000. Applicant will engage in the business of transporting property over the Pacific Electric Railroad between Pasadena and Los Angeles. It intends to acquire the properties of Pasadena Electric Express which

has been engaged for some time in the express business between Pasadena and Los Angeles. In its petition applicant reports that it is impossible to state the original cost of the property as a record was not kept. However, in Exhibit "B," attached to the petition herein, applicant reports the appraised value of the property to be \$68,701.05. The real property, constituting the terminal stations at Los Angeles and Pasadena, is now encumbered with a mortgage lien of \$19,500, which applicant agrees to assume and pay.

To acquire this property applicant asks permission to issue \$37,500 of stock. It also asks permission to issue and sell at not less than 80, \$12,500 of its stock, the proceeds to be used in paying off \$10,000 of the mortgage indebtedness hereinabove referred to. To pay off the balance of this indebtedness, applicant reports that it has arranged to borrow \$9,500 from the Union Trust and Savings Bank of Pasadena. To borrow this money, applicant requests permission to execute to the Union Trust and Savings Bank, its three-year, 6 per cent note for \$9,500 and to secure said note by a first mortgage lien on the Los Angeles terminal property.

I herewith submit the following form of order:

#### ORDER.

Pasadena Electric Express Company having applied to the Railroad Commission for authority to issue stock and to execute a note and mortgage, a public hearing having been held, and the Commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose or purposes specified in the order, and that such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income,

*It is hereby ordered* that Pasadena Electric Express Company be, and it is hereby, granted authority to issue \$50,000 of its capital stock for the following purposes:

1. \$37,500 of stock to be issued at par in payment for the properties of Pasadena Electric Express.
2. \$12,500 of stock to be issued at not less than 80 per cent of its par value, the proceeds to be used to pay in part the mortgage indebtedness on the property acquired from Pasadena Electric Express.

*It is hereby further ordered* that Pasadena Electric Express Company be, and it is hereby, authorized to issue to Union Trust and Savings Bank of Pasadena, a three-year 6 per cent note for \$9,500 and to execute a real estate mortgage to said Union Trust and Savings Bank, securing the payment of said note.



The authority herein granted to issue stock and to execute a note and mortgage is upon the following conditions and not otherwise:

1. The \$9,500 borrowed from the Union Trust and Savings Bank of Pasadena shall be used to pay off the balance of the mortgage indebtedness to which reference is hereinabove made.

2. Pasadena Electric Express Company shall within sixty days after the date hereof, file with the Railroad Commission, a certified copy of the note and mortgage herein authorized to be executed.

3. Pasadena Electric Express Company shall keep such record of the issue of the stock herein authorized to be issued as will enable it to file on or before the twenty-fifth day of each month, a verified report as required by the Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

4. The authority herein granted shall not become effective until applicant has paid the fee prescribed by the Public Utilities Act.

5. The authority herein granted shall apply only to such stock and notes as may be issued on or before December 31, 1919.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this thirtieth day of July, 1919.

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DECISION No. 6535.

IN THE MATTER OF THE APPLICATION OF SOUTHERN COUNTIES  
GAS COMPANY FOR AUTHORITY TO ISSUE ADDITIONAL BONDS  
IN THE AMOUNT OF FORTY-ONE THOUSAND FIVE HUNDRED  
DOLLARS.

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Application No. 4270.

(Second Supplemental.)

Decided July 30, 1919.

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*Hunsaker, Britt & Edwards*, by *Leroy M. Edwards*, for Applicant.

*LOVELAND*, Commissioner.

**SUPPLEMENTAL OPINION.**

The Railroad Commission of the State of California by Decision No. 6027, dated December 26, 1918, authorized applicant herein to issue \$629,000 face value of its 5½ per cent first mortgage bonds, payable May 1, 1919.

Condition No. 4 of said Decision No. 6027, dated December 26, 1918, reads as follows:

"The sale of \$160,000 of bonds, the issue of which is herein authorized, shall be made pursuant to the terms and conditions of a supplemental order or orders issued from time to time by the Railroad Commission in the proceeding."

Applicant herein, on July 15, 1919, filed in the above-entitled matter its second supplemental application asking for authority to issue and sell additional bonds in the amount of \$41,500, the proceeds from the sale thereof to be used to reimburse applicant for capital expenditures during the month of May, 1919.

A public hearing was held herein on July 24, 1919, at Los Angeles.

In its supplemental petition, applicant reports that during the month of May, 1919, it has expended on capital account the sum of \$73,784.38, against which no bonds have been issued, and that under its mortgage it is permitted to issue, because of expenditure on capital account, bonds in the amount of \$59,027.50. At this time, however, applicant asks permission to sell bonds in the amount of \$41,500 only, leaving a balance of \$17,527.50 to be included in some future application.

In the supplemental petition originally filed, applicant asked permission to sell the \$41,500 of bonds at not less than 83 per cent of their face value plus accrued interest. At the hearing, however, applicant stated that it expected to realize 85 per cent for its bonds.

I herewith submit the following form of order:

#### SECOND SUPPLEMENTAL ORDER.

Southern Counties Gas Company of California having applied to the Railroad Commission for authority to issue \$41,500 of bonds, a public hearing having been held and the Commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose or purposes specified in the order, and that such purpose or purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income.

*It is hereby ordered* that Southern Counties Gas Company of California be, and it is hereby, authorized to sell at not less than 85 per cent of their face value plus accrued interest \$41,500 face value of its first mortgage 5½ per cent bonds, and use the proceeds obtained from the sale of said bonds to pay in part its expenditures on capital account reported in Exhibit "A" attached to the supplemental petition filed July 15, 1919, in the above-entitled matter.

*It is hereby further ordered* that the order in Decision No. 6027, dated December 26, 1918, as amended, shall remain in full force and effect except as modified by this second supplemental order.

The foregoing second supplemental opinion and order are hereby approved and ordered filed as the second supplemental opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this thirtieth day of July, 1919.

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DECISION No. 6537.

IN THE MATTER OF THE APPLICATION OF THE CITY OF REDDING TO FIX THE JUST COMPENSATION TO BE PAID BY THE CITY OF REDDING TO NORTHERN CALIFORNIA POWER COMPANY, CONSOLIDATED, FOR ITS PROPERTY OWNED AND USED BY IT IN SAID CITY FOR THE PURPOSE OF DISTRIBUTION OF ELECTRIC ENERGY IN SAID CITY.

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Application No. 3718.

Decided July 31, 1919.

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**VALUATIONS—CONDEMNATION PROCEEDINGS—PROCEDURE.**—In the finding of value of public utility property for condemnation purpose, the construction period of the system to be valued is first determined, such time extended backward from date of filing of the petition for valuation and unit prices actually in effect at that time used in finding reproduction cost new, from which figure accrued depreciation should be deducted.

**VALUATIONS—ACCRUED DEPRECIATION—METHODS OF DETERMINING.**—In determining accrued depreciation of public utility property the Commission uses the term "condition per cent," the plant new being set down at 100 per cent, the present condition found, and the difference held to be the measure of accrued depreciation. This finding being subject to modification due to actual conditions affecting that particular property, which after inspection, may be found to exist.

**DEPRECIATION FUND—SUFFICIENCY OF—USE TO WHICH PUT.**—It is held that irrespective of the sufficiency of the depreciation allowance made by a utility and whether or not it was properly or improperly used, in eminent domain proceedings, the actual condition of the property at the time of valuation must be considered regardless of the actual amount of the original investment and whether or not a depreciation reserve has been accumulated.

**VALUATIONS—OPERATING CONDITIONS OF PLANT—CONSIDERATION OF AS AFFECTING VALUES.**—The conditions per cent of utility property as determined by the Commission does not touch the question of general operating efficiency of the plant. If construction is such as to make operating conditions costly and wasteful, resulting in operating costs above normal, the plant is less valuable and must be so considered.

**VALUATIONS—UNIT PRICES—ABNORMAL WAR COSTS.**—It is held that no correction in the value of physical property because of high and abnormal unit costs used in the engineering valuation will be made other than the reflection of such costs in depreciation account.

**FRANCHISES—VALUE OF.**—It is held that franchises owned by a public utility are property and as such must be paid for in condemnation proceedings. In the present instance, however, the franchise value is included in the consideration given going concern.

**GOING CONCERN VALUE—ALLOWANCE FOR—ELEMENTS CONSIDERED UNDER.**—Overhead charges incurred during construction period have no place in the determination of going concern value when provision has been made otherwise for such items. The only item considered under such head is actual losses

incurred by the utility which includes amounts expended over and above receipts during a limited development period only, such expenditures being necessary to the establishment of a successful business. The utility making no showing as to such expenditures, no allowance is made therefor.

**SEVERANCE DAMAGES—CONDEMNATION PROCEEDINGS.**—Severance damages allowed include only the cost of constructing connecting circuits and telephone lines between the various establishments of the electric utility within and adjacent to the city of Redding in accordance with an agreement to be hereafter entered into.

The sum of \$42,041 is found to be a just and reasonable amount to be paid by the city of Redding for the electric distributing property of Northern California Power Company within said city, such amount not including severance damages.

W. D. Tillotson, for Applicant.

Allan P. Matthew, for Northern California Power Company, Consolidated.

BRUNDIGE, *Commissioner*.

### OPINION.

The city of Redding (hereinafter referred to as the city) on May 2, 1918, filed its application asking that the Commission, under the provisions of the Public Utilities Act, fix the just compensation to be paid by the city to the Northern California Power Company, Consolidated (hereinafter referred to as the company), for the property owned and used by the company in the city of Redding for the purpose of distribution of electrical energy in the city. A description of the property involved is attached to this opinion and marked as "Exhibit A."

Hearings were held in Redding on February 27, 1919, and in San Francisco on March 18, 1919. All of the exhibits and reports filed, as also the briefs of counsel, are now available, and a decision can be rendered by the Commission.

There are at issue in this proceeding the following elements entering into the question of just compensation:

1. Valuation of physical property plus overheads,
2. Franchise value,
3. Going concern,
4. Development cost,
5. Severance damages.

In the able and extensive briefs filed by counsel for both the company and the city, the urgent request is made that the Commission clearly indicate in its decision the successive steps by which the total amount of just compensation is reached and how each of the points at issue is disposed of, with reasons for such disposal. This request appears reasonable. It is in the interest not only of the parties to this proceeding but also to utilities and municipalities throughout the entire state that there should be set forth as clearly as possible the principles which guide and the methods which are followed by this Commission in determining what is just compensation.

After a careful consideration of the facts in this proceeding and of the law in cases of this nature in general, I have reached the conclusion that just compensation can not be found unless each of the factors indicated above is given its proper consideration. The treatment that should be accorded to these factors can, in my opinion, be best indicated by the following set-up:

#### JUST COMPENSATION.

- (a) Valuation of physical property plus overhead on basis of reproduction cost less depreciation.

These items to be modified by special factors affecting value, viz: Item (a) may be modified by abnormally high or low prices; by abnormal conditions of service; by the relative efficiency of the plant and by its adaptability to the performance of the work actually required of it in the most economical manner; by deferred maintenance; by obsolescence; by property to be abandoned, etc., etc., etc.

- (b) Franchise value.

Item (b) may be modified by character of franchise; by long and short remaining life, etc.

- (c) Go-in: concern including development cost.

Item (c) may be modified by past, present and prospective earning capacity; by public utility character of business; by power of the city to duplicate plant; by facts regarding development cost, etc.

Then

$$(a) + (b) + (c) = \text{"Fair Value of Property."}$$

Plus

- (d) Severance damages.

Not an element of "value," but compensation for losses resulting from disruption and severance of property.

Then

$$(a) + (b) + (c) + (d) = \text{"Just Compensation."}$$

In my opinion, the treatment indicated is not only in complete accord with the statutes as they have been interpreted by the courts, but is also thoroughly equitable and in harmony with such economic principles as will, in the last analysis, be found to control such matters.

#### (1) Valuation of physical property plus overheads.

Two valuations of the property were made and filed as exhibits, viz, a valuation by the Commission's engineering department dated October 2, 1918 (Applicant's Exhibit No. 1) and a valuation made by the company and filed February 27, 1919 (Company's Exhibit No. 1). There are no essential differences in the inventory of property items. Such money differences as there are result from the application of different unit costs and overhead allowances and from a different treatment of the question of depreciation.

The selection of unit prices depends, in turn, to a large extent, on the construction period on which the valuation estimate is based. This question was discussed at great length (both from the engineering and

from the legal standpoint) at the hearings in this case and in the briefs of counsel, where it has generally been referred to as the question of "the date of valuation." A decision by the Commission on this point will be necessary.

(a) *Date of valuation.*

Section 47 of the Public Utilities Act provides that "said just compensation shall be fixed by the Commission as of the day on which the petition was filed with the Commission." The Commission must find an amount of money which is "the full and perfect equivalent" of the property as of that day. There can be no question, I believe, that this is the meaning of "just compensation" as repeatedly announced by the Supreme Court of the United States and by other courts and by this and other state commissions.

*Monongahela Navigation Company vs. United States*, 148 U. S. 312.

This "full and perfect equivalent" for the property taken is the "present value" of the property as of the day the petition was filed with the Commission.

It is also well established that the "present value" does not necessarily mean investment, or original cost, or reproduction cost new, or reproduction cost less depreciation, or any other single one of a number of factors that may have to be considered and that may enter into the total making up "present value." This rule is well established by the *Minnesota Rate Case* and by other decisions by the United States Supreme Court.

*Minnesota Rate Case*, 230 U. S. 352.

Also in *Louisville and Nashville Railroad Company vs. the Railroad Commission et al.*, 196 Fed. 800, 821, the court addressing itself to the basis of valuation, said "\* \* \* the rule of giving to the owner the increments of value and subjecting him to the losses in values has the unequivocal sanction of the laws."

A great deal of the controversy on this point, I am sure, springs from a confusion in the minds of the parties between the making of an engineering appraisal or valuation on the one hand, and the finding of just compensation by the Commission on the other. If it is remembered that the making of the appraisal, as covered in an engineering report on the property to be taken, and as indicated under items (a), (b) and (c) enumerated in the formula given heretofore, is *only one step in the task of determining "just compensation,"* then misunderstandings will be less likely. Of necessity, the engineers of the Commission had to adopt some consistent and definite method of making

valuation estimates. There is no disagreement that this has been done; they have submitted to the Commission several figures, each one of which is based on a fairly comprehensive definition. We have:

- (1) The historical reproduction cost.
- (2) The reproduction cost new on the basis of average prices for the preceding five years.
- (3) The reproduction cost new on the basis of prices as of May 2, 1918, the date of the filing of this application.
- (4) The reproduction cost less depreciation based on the historical reproduction cost.
- (5) The reproduction cost less depreciation based on the five-year period reproduction cost.
- (6) The reproduction cost less depreciation based on the date of valuation reproduction cost.

It can not be said, therefore, that the Commission's engineer's report is incomplete. The company in its valuation gives only two figures, one a reproduction cost estimate on the basis of current market prices of labor and materials, and the other the reproduction cost less depreciation based on such current prices.

The question is, which of these various methods of making valuation estimates is to be given the principal weight in so far as the physical property items and the so-called overheads are concerned. Are unit prices to be taken as of a certain day, regardless of the normality or abnormality of prices on that particular day, or should they be taken as the average over a certain period, and if so, what period should be selected?

A contention that cost estimates must be based on a certain single day (this day to be the date of the filing of the application) is not raised by the company and can not, in my opinion, be maintained. It has been shown to my satisfaction that an estimate on such a basis rests upon an engineering impossibility and becomes, therefore, an absurdity. I am making this statement for these reasons: The construction of any property of necessity involves the element of time, and an estimate of such construction must take into consideration the time element. However long or short the construction period may be fixed, it is evident that prices for material and labor will fluctuate within certain limits during that period, and that in the nature of things there can be no construction of any considerable enterprise where every cost can be incurred in a single day. The significance of this observation is evident at once if the items of interest and so-called overhead expenditures, which are a part of every construction estimate, are given consideration. If an allowance for interest during construction is made, it must be made for a certain period of time. And the charges for engineering, legal expenses, insurance, administration and other general expenses, all of which enter into every valuation, equally involve the time element. It is unsound and not in accordance with the facts

to assume that all construction costs for labor and material should be had as of one certain day and thereafter to add to such costs arbitrary percentages on the assumption that a certain length of time will elapse between the beginning and the end of construction.

In my opinion, the proper procedure for the engineers to follow is this: First, to determine that period of time which would reasonably be required to construct a plant of the kind and character of the one to be valued. In small plants the period would, of course, be shorter than in plants of larger enterprises. Having determined this reasonable construction period, it should be extended backward from the date on which the petition was filed with the Commission. The unit prices actually in effect during that period should be applied in making the reproduction cost new estimate, and the accrued depreciation should be deducted from that figure.

In the proceeding at issue, it is my conclusion that a construction period of one year is an ample and fair time for the valuation estimate.

This general rule, in my opinion, has the support of law.

In *Brunswick and T. Water District vs. Maine Water Company*, 92 Me. 271, 59 Atl. 537, the Supreme Court of Maine says:

"4. The next request is: 'If and so far as structure value depends upon cost, the market price of pipe, labor, skill and supervision are to be taken as they were on the first day of January, 1904, and not as they were at prior times when the contract would have been necessary for the building of the structure to be completed for delivery on that day.' The ultimate fact to be ascertained is the value of January 1, 1904. The act provides that the valuation shall be fixed as of that date. Prior cost in this respect is only evidence, more or less valuable, as having a tendency to show value on that day. The value on that day may be more than the cost or it may be less. To say nothing of depreciation, prices may have gone up or they may have gone down. *If they have gone up, the company is entitled to the benefit of it; if they have gone down, the company loses it.* This we have already stated in the former part of this opinion. The cost of present reproduction is evidence of the strongest character of the present value of a structure, though other things are to be considered also. *In determining, not cost, but present value, present prices, of course, are the standard, rather than former prices.* It is suggested that in fixing the value on January 1, 1904, allowance must be made for the fact that a plant ready to be delivered on a given date must have been commenced a considerable time before, certainly. *When we say 'present prices,' we mean prices within a period necessary for construction.*"

The figure thus to be found is a very definite quantity and can be determined by competent engineers. It is not to be the *ultimate* figure, even for the physical property alone, and may have to be modified by other considerations that are not necessarily susceptible of mathematical analysis and computation. *Other factors* such as have been indicated in the formula given above *may enter*, and it may *not be possible to define* them beforehand or to lay down strict rules as to how they should be measured. But I am of the opinion that the engineering valuation estimate should be the first step and that this estimate should, in all valuation proceedings, show reproduction cost based on prices



for material and labor during a fair construction period immediately preceding the date of the application with a deduction from that estimate of such a sum as will represent the item of depreciation.

The figure found by me for the physical property plus overhead rests on this basis.

(b) *Depreciation.*

There is no dispute that depreciation is an element to be recognized as an economic fact and as a matter of law, and that the accrued depreciation must be deducted from the value of the plant new. The company contends that because of the methods used by the Commission's engineering department in ascertaining the amount of accrued depreciation, confiscation of a certain amount of capital must inevitably result. Company's counsel in his brief says:

"We think it can be fairly stated that the more recent investigators have reached the conclusion that so much of depreciation as does not represent deferred maintenance should not be deducted in making an appraisal, for this element of depreciation can not be avoided or overcome, and does not represent a real diminution in capital values."

The company claims that all consideration of "theoretical depreciation as disclosed by the so-called life tables" should be disregarded by the Commission and that actual rather than theoretical depreciation should control. The company then contends that depreciation should be measured by the so-called sinking fund method rather than by the straightline method since with the latter method injustice would be done to the company and confiscation would become inevitable.

There is an obvious inconsistency in the contentions of the company when, on the one hand, theoretical depreciation and life tables are rejected and condemned, and, on the other, it is demanded that depreciation should be estimated on the sinking fund basis. Both the sinking fund method and the straightline method are theoretical estimates of depreciation. Both methods, of necessity, depend on life tables. I am of the opinion that the argument in this matter proceeds, in the main, from false premises and that the apparent inconsistencies in the treatment of this subject disappear upon closer observation.

What must be ascertained is the difference in value between this property new and the same property in the actual condition in which we find it on the day of the valuation. It is necessary to find this difference by means of an engineering estimate. The Commission's engineers use the term "*condition per cent.*" If the condition per cent of a new plant is set down as 100 and the present condition as 75 per cent, then 25 per cent of the total in the reproduction cost new estimate would be the measure of the accrued depreciation. I can see no objection to the employment of this system, and am in full accord with the

contention of the company "that the condition per cent as finally determined by the Commission should control in the valuation to the entire exclusion of the theoretical depreciation."

The inquiry should confine itself to the methods employed and the reliability of the judgment of the men who did the work, when the amount of accrued depreciation was ascertained. It appears that the Commission's engineers have made a careful inspection on the ground. I use the word "careful" advisedly and in spite of the claims of the company's counsel to the contrary. Assistant Engineer L. B. Cramer, an electrical engineer of many years experience, who has been employed by the Commission and has been engaged in valuation work since August, 1916, spent an aggregate of several months on this work exclusively and made a thorough investigation of the property and of the company's records. A part of his work was done together with the representatives of the company and of the city; and in addition he had the advice and assistance of a number of other engineers in the Commission's office. He had also at his disposal all of the Commission's data and records, which, admittedly, are unusually complete and reliable. The estimate of depreciation according to Mr. Cramer's testimony and according to his report (Applicant's Exhibit No. 1) was made substantially as follows:

From the reproduction cost of the property there is deducted the salvage value at the point of usage. The remainder is called wearing value. This wearing value is then divided by the estimated life of the property and the quotient is called annual depreciation. The actual age of the property, in years, is multiplied by this annual depreciation, and the result is called the total accrued depreciation. If, on inspection or by reason of any other available data, such as maintenance records, etc., there is reason to believe that this ascertained condition per cent does not represent the actual condition of the property, then the theoretical condition per cent is modified and the facts ascertained by an inspection are given greater weight than the result obtained from a consideration of average experience as reflected by life tables.

It is important to note here that this process of ascertaining condition per cent is not applied to the property as a whole, or even to any considerable group of property items, but is separately and individually calculated in the Commission's engineering report for each individual property account and for each separate item listed in each account.

The other aspect of the problem of depreciation has not directly any bearing on the value of this property and enters only incidentally into the question of just compensation. I have reference to the *depreciation reserve as an insurance fund* set aside to take care of and insure against the wasting of property by reason of physical depreciation and obsoles-

cence, and the treatment of this fund as a financial and-bookkeeping matter.

This Commission, since the beginning of the exercise of its rate-making powers, has consistently allowed out of rates to public utilities three items of return.

(a) Operating expenses, including without question payrolls covering wages actually paid to employees other than executive officers, taxes and the cost of ordinary maintenance of property.

(b) A "fair return" on the investment or value of the property devoted to the public service.

(c) An allowance for a depreciation reserve to provide for the renewal or replacement of such portion of the plant as involves large expenditures and which can not readily be charged to ordinary maintenance and included in operating expense.

Item (c) is the one here referred to. The company claims that in estimating the present value of this property as compared with new, depreciation should be computed on the sinking fund basis because this method has been employed, in rate-fixing proceedings involving this company, and because the sinking fund curve fairly shows the actual course of depreciation. I have already pointed out the inconsistency of the company's position when, on the one hand, it objects to the use of life tables, and, on the other, demands the application of the sinking fund method.

In a rate proceeding heretofore, the Commission fixed a rate to cover not only the operating expenses, including taxes and the cost of ordinary maintenance, together with a "fair return" on the investment, but also to provide a depreciation reserve fund. In setting up this depreciation reserve, it was computed upon the 6 per cent sinking fund method. This allowance figures out at approximately 1.42 per cent of the then valuation figure of the property involved in the rate case. The company now claims that the actual present-day condition of the property must be estimated in conformity with that derived percentage. It is claimed that if an accrued depreciation greater than the calculated percentage were deducted, confiscation of property would result. This reasoning is fallacious.

If it were the purpose of this inquiry to ascertain the exact number of dollars which actually have been invested in the business and to return these dollars to the company without either increase or diminution since the date of their original investment, then there might be some basis for such contention. But we are not now concerned with the original cost of this property. We seek to establish its "present value," and to find the "perfect equivalent" which the city of Redding must pay to the company in exchange for its plant. As has been stated heretofore that "present value" is being computed upon the basis of reproduction cost new less actual depreciation.

Numerous decisions quoted by counsel for the company, clearly point out that increments and losses alike attach to ownership of property. If a company expects to benefit by advancing prices in condemnation proceedings it also must expect to suffer the losses that come from deterioration or wasting of property. Unless we adopt the sacrifice theory and proceed to value property upon the basis of original cost, which has been rejected by the courts, there can be no consideration given to the claim of confiscation due to decrease in value caused by deterioration or depreciation, regardless of whether any means had or had not been taken to provide a fund to cover such deterioration or depreciation either through operating expenses or otherwise.

Neither can it be shown that there is any relation whatsoever between the sum of money that would be in the depreciation reserve fund, if the money had actually been set aside for that purpose, and the actual present condition of the property. What we are trying to ascertain is this actual condition in which the property is now found and what we must determine is the difference between the property in its new state and the condition in which we find it today. Whether or not the company has made provision (in depreciation fund or otherwise) to reimburse itself against the effects of the actual accrued depreciation, can not be of any concern in this proceeding where we have, as one step in our task, to find the fair value of this property as it exists today.

It is desirable, in my opinion, that adequate allowance should be made by the Commission in rates to take care of depreciation, and I am also firmly convinced that such allowances should be surrounded by safeguards which will make certain that they will be used by the utilities for the very purpose for which they are paid by the ratepayers. But, irrespective of whether the allowances are sufficient or insufficient, and irrespective of whether they are used properly or improperly, the fact remains that in eminent domain proceedings it must be the actual condition of the property at the time of the valuation that is to be considered, regardless of the actual amount of the original investment, and regardless of whether the owner has accumulated a depreciation reserve or not, and regardless of whether the reserve is built up by the sinking fund or the straightline method. For the reasons stated I can see no merit in the company's criticism of the methods of measuring this property's condition per cent, as they were employed by our engineers.

*The service condition of the plant as a whole* and its efficiency as a whole as compared with the best available standards is not entirely reflected by the condition per cent. To illustrate: In the item of "poles and fixtures" (C. R. C. Acct. No. C-14), there are listed 103 separate property items, each one of which has its own estimated condition per

cent. These percentages vary from 30 to 100, and the weighted average for the entire group in this account gives a condition per cent of 65. And so on with each group of property items as classified on the prescribed valuation forms. The condition per cent, therefore, merely reflects the condition of individual plant items as compared with new and takes no account of the general usefulness and efficiency of these working parts in their relation to the working capacity of the entire machine. If we consider a plant in the light of a machine constructed for the purpose of performing a definite service it is clear that we can not actually compute the service condition by a consideration alone of the probable life of the separate working parts. Many other considerations enter into such calculations. Besides the wisdom or unwisdom evidenced in the plan or design of the completed plant, and the question of the adaptability of the various parts to the efficient and economical performance of the function required of them, also a consideration of whether the plant has been overbuilt or underbuilt, there may be many factors other than those involved in the cost and the age of the separate parts which have a direct bearing upon operation of the plant causing it either to be economical and efficient or wasteful and extravagant. It is to be admitted that a machine which is economical and efficient in operation has a greater value than one that is wasteful and extravagant. That this consideration can not be included in a computation of the age and the cost of the various parts comprising the plant is evident. As an illustration, it can not be contended that a leaky and wasteful system of gas distributing mains has, in proportion to its age, as great a value as a system that is tight and in which transmission losses of gas are reduced to a minimum.

The question of service conditions will be discussed further elsewhere in this opinion.

It can not be said, therefore, that the method of measuring depreciation used by the engineering department is essentially arbitrary or theoretical. I am satisfied that the facts establish a contrary conclusion. I am inclined to believe that it will be difficult to devise a fairer method of measuring depreciation or one better calculated to reach the exact truth (in so far as such an ideal is possible with such a subject).

I agree with counsel for the company that under this method, cases are conceivable where at the time of the appraisal it will be found that a certain proportion of bona fide capital expenditure is necessarily lost to the owner of a property. It is equally true, on the other hand, that his method will, in other instances, result in showing a property value greatly in excess of the bona fide capital expenditure in spite of a considerable amount of accrued depreciation. This later condition will be found to be the fact with the property under consideration. Here it

is admitted that the estimate for reproduction cost new is considerably in excess of the bona fide capital expenditure and it is apparent that this condition results from the increase in costs of labor and material during the last few years.

I can not agree, therefore, with the contentions of the company that the engineering department's valuation should be modified because, in the ascertainment of depreciation, life tables have been used and the sinking fund method has not been applied.

(c) *Valuation totals.*

The report of the Commission's engineering department (Applicant's Exhibit No. 1 and memorandum of April 21, 1919) show the following valuation totals:

	Revised figures.
Historical reproduction cost (without depreciation) .....	\$50,365 07
Reproduction cost new on basis of average prices for preceding five years (without depreciation) .....	48,557 11
Reproduction cost new on the basis of prices as of May 2, 1918 (without depreciation) .....	56,066 99

The company's grand total of all accounts covering physical property and comparable with the figures of the engineering department on the basis of the reproduction cost new based on present prices, is shown to be \$64,096 (amended figure).

For reasons stated heretofore, I am of the opinion that the engineering valuation should be based on a reproduction cost with a construction period of one year prior to May 2, 1918, and with unit costs and prices for material and labor as they average during that year. On this basis the first two engineering department figures are too low and the last one is too high. On this basis the last figure, that of reproduction cost new with prices as of May 2, 1918, and without depreciation, and deducting overheads, becomes \$53,968.56. The reproduction new cost estimate in the basis of average prices for the preceding five years (\$48,557.11) becomes, when overheads are deducted, \$41,859.58. Because of difference in time allowance for construction of plant and other differences, the original allowance for overhead in these two estimates were not identical. It is apparent, therefore, that the estimate as of May 2, 1918, exceeds the estimate of the five-year period by about 29 per cent. The five-year period preceding May 2, 1918, includes all of the abnormal war prices (with the highest prices ever known for copper, which is one of the largest single items in this valuation). Since all estimates of this nature must be based on averages, and can at best be only close approximations, I have reached the conclusion, after a careful consideration of the mass of conflicting unit costs in the record in this proceeding which costs cover the time from the date of the filing of the application to well beyond the five-year period, that

a 20 per cent addition to the engineering department's reproduction cost new estimate based on the five-year period will give a figure approximating, as nearly as may be, the cost of reproducing this plant upon a basis of unit costs prevailing during the year immediately preceding the date of filing the city's application in this proceeding. We will then have:

Engineering department's reproduction cost new on five-year basis without overheads -----	\$41,859 58
Add 20 per cent -----	8,371 92
Total physical properties without overheads -----	<u>\$50,231 50</u>

I am of the opinion that to the sum above set forth we should add an overhead allowance covering engineering, administration, insurance and legal expenses, of 10 per cent of the last total and that interest should be allowed on the basis of a one-year construction period and at the rate of 6 per cent.

It will be fair and reasonable to assume that interest will accrue on all of the money involved for one-half of the assumed construction period for the obvious reason that only the first expenditures will be burdened with interest payments for the full year, while the last expenditures will carry no interest charges whatsoever. This interest allowance is a fair one, in my opinion, for the further reason that the bulk of the expenditures (copper, poles, transformers, service and meters) under the adopted construction period will not occur until the latter portion of the construction period. We have then:

Reproduction cost new on the basis of one year construction period -----	\$50,231 50
Add overheads 10 per cent -----	5,023 15
Sub-total -----	<u>\$55,254 65</u>
Add interest during construction on 6 per cent basis (3 per cent of last total) -----	1,657 64
Total -----	<u>\$56,912 29</u>

For reasons already given, I am satisfied to accept the condition per cent of 73, as estimated by the engineering department, as an accurate and fair one. On this basis I find that the reproduction cost less depreciation of this property is \$41,546.

I am the more satisfied that this last figure is a reasonably accurate one since it is subject to further modification because of at least one other factor having a bearing on the value of the physical and operating property which has not as yet been considered. This factor is the general condition, from an operating standpoint, of the plant as a whole.

(d) *Operating condition of plant.*

Strenuous objections were raised by counsel for the company against inquiries along this line. It is contended by the company that any consideration of the operating condition of the plant as a whole results in a duplication of deductions made for depreciation and obsolescence. Counsel for the city, on the other hand, strenuously urged that this matter was one of the most important factors to be considered by the Commission in the determination of value and that it had no relation whatsoever to the condition per cent of the individual property items as determined by the Commission's engineers in their valuation report.

According to the city's contention, this question of general operating condition of plant pertains rather to the subject of going concern value. Since the claim of going concern value as advanced by the company rests on an altogether different line of reasoning, as will appear hereafter, I prefer to deal with this item of general operating condition under the head of the value of physical property.

I am satisfied that the condition per cent as determined in the engineering report does not touch the question of general operating efficiency of this plant as an electrical distributing system. It is conceivable that the individual property items may be in first-class physical condition, that the machinery and installations are all modern and adequate and that consequently there is no obsolescence but that nevertheless the general arrangement and operating conditions of the plant as a whole are such as to produce wasteful, inefficient and costly operation, resulting in operating costs that are above normal. Where such a condition exists, I believe it can not be denied that a physical plant will be less valuable because of such condition than it otherwise would be.

The testimony on this point shows that the system at Redding is the result of the consolidation of two systems and that there is a certain amount of duplication in pole leads and that there are unnecessary poles. It is to be noted, however, that all of these duplications and superfluous items of property are included in the totals given above.

It is also in the record that there is certain overhead construction on this system not in accordance with the laws and orders of this Commission governing such construction in this state. This observation is not intended as a criticism of the company but is made merely to establish the fact that considerable expenditures are necessary to remodel this plant in order to bring it into conformity with existing laws and to create safe working conditions. The city will have to incur this expense after the property is acquired. No estimate was made to show in dollars what it will cost to put this distributing system in what might be called first-class condition. It is evident to me, however, that whatever weight this factor of inferior operating condition may have, will act as a deduction from the depreciated plant value as it has been found above.



A large aggregate of plant items, in whatever depreciated condition they may be, will, of necessity, increase the total of the physical valuation. It does not follow, however, that because of the greater quantity of unnecessary property items the plant is more valuable as an operating property. If, by the elimination of a portion of the plant and the substitution therefor of simpler apparatus, operating costs could be decreased, the owner would be justified in going to considerable expenditure in bringing about such a result.

(c) *Abnormal valuation prices.*

It is true that the valuation figures as found above reflect the highest abnormal war prices. The Commission is urged by the city to take this factor into consideration and to fix the ultimate fair value of this plant in a just compensation proceeding on the basis of normal conditions. While I am of the opinion that the engineering estimate should properly be made under the method indicated above, I am not convinced that there might not arise cases where abnormal cost fluctuations during the assumed construction period might not result in such abnormal valuation totals as would very clearly lead, were the figures to be used unmodified, not to a "fair" value of the property to be taken and not to a "just" compensation, but to an unfair value and an unjust compensation.

I am not persuaded, however, that this is the result in this particular instance. The plant is a small one, and the construction period I have allowed, is, perhaps longer than would be absolutely necessary to construct a plant of this kind under rush orders and with all material purchased and on the ground. On the other hand if we are to assume a construction period beginning with the securing of a franchise and arranging for the necessary funds to carry forward the enterprise and extending to the date upon which the completed plant is put into service, allowing sufficient time for the company to take the best advantage of market conditions in purchasing materials, then I am convinced that one year is a reasonable allowance of time for the construction of this particular plant.

The one year period will allow for some fluctuations in labor and material costs in both directions and at the same time will allow a larger sum for interest upon the capital investment than had a shorter period of time been adopted for the construction period. Also, while discussing the method of determining unit costs, which necessarily constitute one of the most important factors in determining the ultimate fair value, a certain amount of speculation as to what will happen in the future can not be entirely dispensed with, but I am not convinced that labor costs will have a marked downward trend in the immediate future.

I shall make no correction, therefore, in the value of the physical property because of the high and abnormal unit costs used in the engineering valuation, further than such abnormal prices are reflected in depreciation.

**(2) Franchise value.**

The company is the owner of three franchises, all of which are to be taken by the city except to the extent that they will be enjoyed by the company for the purpose of serving its own properties within the city of Redding, and also for the purpose of serving the city of Redding in the event that it should purchase electricity from the company after the purchase of the distributing system.

It is the contention of the company that the value of these franchises must be determined and that this value is not restricted to original cost. The approximate original cost of the franchise is shown by the company to be \$495 and there will be no question that this original cost should be included in the sum total of the fair value of the property and of the just compensation.

In general, whatever the facts may be as between the public granting franchises, on the one hand, and the utility enjoying the franchises, on the other, and whatever fairness and equity may demand in this matter as between these two parties, I think there is no doubt that the courts have held that franchises are *property* and as such must be paid for in condemnation proceedings. This is a question of very great importance and it should be gone into thoroughly when a case comes up where the matter has more weight than in this one.

The company assents to the proposition that such value as may inhere in the franchises (exclusive of the item of original cost) may be properly comprehended within the element of going concern value. It is clear that in other proceedings of this nature which have been before the Commission, confusion and duplication have resulted from the attempt to value franchise rights and going concern separately. It may be agreed, therefore, that this item is included in the consideration of going concern.

**(3) Going concern.**

Going concern value is defined by the company as "value of the business." It is a value which is said to exist separately and to be distinct from the plant value or the physical value. We may readily assent to this definition, and I recognize that there is a large difference in value between the "bare bones" of a plant and the same plant as a prosperous going concern. The law and courts and the authorities without exception hold that going concern or going concern value must be recognized and considered as an element in condemnation cases.

The determination of this item in terms of money depends, of course, on the methods used. It becomes of greatest importance, therefore, to examine these methods closely and to see if reliable factors are used and if, in the computation, proper weight is given to all factors so that they may reflect the facts and give the correct results.

In considering the elements entering into the "going concern" value, it must be borne in mind that certain overhead charges already have been allowed in computing the plant value on the basis of reproduction new less depreciation. It goes without saying that costs which already have been allowed in estimating the plant value should not again be considered in computing the "going concern" value, but that there may be less confusion concerning the elements entering into "going concern" value it may be well to refer to those which have been considered elsewhere and therefore should be eliminated from this discussion.

Among the items included in "overhead charges" and for which allowance already has been made by adding 10 per cent to the total of the reproduction new value of the plant are these:

- Engineering costs in preparation of plans, surveys, superintendence, etc.;
- Losses due to accidents to workmen and injuries to material, together with costs of insurance, etc.;
- Contingencies;
- Cost of administration, including time and money expended in purchasing materials, etc.

An additional allowance of 3 per cent has been made to cover the interest upon the actual invested capital during the entire period of construction.

Also there has been made an allowance to cover the promotion of the enterprise, the organization of the company and interesting capital therein, and the legal and other necessary expenses involved in securing franchises and in incorporating the company.

Again it is true that any costs incurred in developing the business such as solicitation, advertising, etc., which have been included in operating expenses and actually returned to the owners of the plant in rates, also should be excluded from consideration. On the other hand, if these development costs have not in fact been returned to the company and properly should be considered as an element in determining the fair value of the property to be condemned, they should, under the plan followed in this proceeding, be computed separately, under the heading of "development costs."

Also it has been generally held that the element of "good will" as applied to the business of the ordinary merchant or manufacturer dealing with the public generally is not to be considered in estimating

the value of a public utility plant such as this, for the reason that the ordinary private business is built up under competitive conditions through which trade is attracted by various means all tending to establish the reputation of the concern, and into which enter questions of the treatment of patrons, the quality of goods, the comparative prices and an almost infinite number of other considerations and circumstances, practically all of which are absent in a public utility which enjoys a monopoly of a particular business in the community it serves, and where the public desirous of using its product must buy from the utility at a fixed rate or do without such service.

In *Des Moines Gas Co. vs. Des Moines*, 236 U. S. 153, 171, Mr. Justice Day says:

"When, as here, a long established and successful plant of this character is valued for rate-making purposes, and the value of the property fixed as the master certifies upon the basis of a plant in successful operation, and overhead charges have been allowed for the items and in the sums already stated, it can not be said, in view of the facts in this case, that the element of going value has not been given the consideration it deserves, and the appellant's contention in this behalf is not sustained."

If we eliminate from consideration in going concern value those elements of overhead costs above referred to and which already have been cared for by adding 10 per cent to the reproduction cost new, together with an allowance of 3 per cent to cover the interest on invested capital during the period of construction, and if further the element of "good will," as indicating that element of value which inheres in the fixed and favorable consideration of customers arising from an established and well-known and well conducted business is to be eliminated as indicated in the *Des Moines Gas Company* case (238 U. S. 164-165), then the only remaining element left for consideration as entering into going value must consist of losses sustained during the development period of the enterprise—losses which were incidental to the development period and of necessity incurred in bringing the plant into successful operation, and which have not been returned to the company in rates during the later period of successful operation.

All public utility enterprises go through three stages of development. First, there is the construction period. The second may be termed the development period and the third the period of profit or going concern.

In the first or construction period all items of expense, including capital invested in the enterprise and all necessary overhead required to put the plant in condition and readiness to render service, are properly chargeable to capital account.

The second or development period may be said to begin when construction is completed and the plant is in existence ready to operate and to produce the product to be sold.

With most business enterprises, whether public utility or otherwise, a shorter or longer period will elapse between the beginning of operation and the time when the business will earn not only its operating expenses, its depreciation allowances, the taxes to be paid and other carrying charges, but also the return on the investment, which return will be available for the payment of interest, dividends and other surplus.

During this period the investment for the original plant remains constant and all expenses incurred in the production and in the marketing of the commodity to be sold are charged to operating expenses. In order that customers may be rapidly found it frequently occurs that the company must undertake additional and unusual expense to defray the costs of solicitation, advertising, etc. These and other costs may, and often do, so increase the operating expenses during the development period that the expenses are greater than the total receipts and an actual loss occurs during this period. These losses represent an actual outlay of money on the part of the company necessarily incurred in the establishment of a successful business and while generally and more accurately referred to as "development costs" constitute a real and a tangible element of the "going concern" value.

In this proceeding I have attempted to treat the items of "going concern" and "development costs" as separated matters, and by the process of elimination have found that the only items which may under any theory be considered as entering into "going concern" and which have not been considered and allowed elsewhere, consists of what I prefer to designate as "development costs." In my opinion overhead charges incurred during the construction period have no place whatsoever in the determination of going concern value.

#### (4) Development costs.

If it is to be conceded that the actual amount of money expended by a company over and above the amount of its receipts during the development period, such expenditure being necessary to the establishment of a successful business, should be considered as an actual investment in the business, then in giving proper consideration to this item it will be necessary to fix a reasonable period of time for such development. Necessarily the development period will vary with the circumstances and conditions surrounding each separate plant; upon the extent of the demand for such service, the size of the community to be served, the prosperity of the people and their desire and ability to buy. Roughly, this development period may well bear some definite relation to the time allowed for the construction of the plant. If, for example, as in this case, the time allowed for the construction of the plant is fixed

at one year, it would, in my opinion, be reasonable to say that within two or three times the period allowed for construction, that is, two or three years, the company would have ample time to demonstrate whether the enterprise could or could not be made a successful going concern. If within a reasonable period of time the enterprise can not be developed into a successful business, then the project is a financial failure and has no "going concern" value, which attaches only to a successful business.

In this case there is no question that the business is in successful operation. The plant has been operated successfully for a long period of years. Therefore, if in this case, we fix a period of three years for development of the business—the longest possible reasonable period that can be allowed in this case—it then remains for the company to show the extent of the actual losses necessarily incurred in the development of its business during this period, and also to show that the company after incurring such losses during the development period of its business has not later recouped itself from subsequent earnings for such losses.

In this case such showing has not been made.

We have here a plant which has been in existence since 1901, ten years prior to the enactment of the Public Utilities Act. During the period prior to the time the Railroad Commission was authorized to fix fair rates it must be presumed that the rates in effect were compensatory, and that whatever losses were incurred by the company in developing its business were returned to the owners.

In 1912, electric rates for the city of Redding were fixed by the Commission in order to grant relief from chaotic conditions following a rate war which was disastrous to the company. The rates that were put into effect by the Commission at that time were higher than the rates the company had operated under voluntarily prior thereto, and they were expressly declared to be fair rates by the Commission's decision. In 1916 the Commission again fixed rates upon a basis of cost of money to the company of 6½ per cent and a return of 8 per cent was allowed on the investment used and useful in its electrical business. The allowance for an 8 per cent profit was made after making adequate allowances for operating expenses, depreciation annuity and maintenance. The rates were declared by the Commission to be just and reasonable and were accepted as such by the company.

If, in spite of this condition and after an operating period of 18 years the company declares that it has been unable to reimburse itself for such portion of its operating expenses as are classified as "development costs" it is clear that such expenses were incurred prior to 1912 when the Commission fixed fair rates and when the company was engaged in a competitive war and voluntarily assumed all the risks and all the

consequences of such conditions. Such losses, incurred under such conditions, and at so remote period can not properly be charged to any reasonable development cost. To hold otherwise would be most unreasonable and unfair, either in a condemnation case, such as this or in a rate proceeding. The losses, if such actually exist, incurred by a company in unrestrained and competitive warfare before the period of regulation of rates by public authority, can not, by the wildest stretch of imagination be included within any legitimate and reasonable development costs.

In any event, under the application of the rule that the company is entitled to reimbursement for losses actually sustained in developing a successful business, provided that the company has not heretofore been compensated for such losses, the obligation rests upon the company to prove that such losses actually were incurred within a reasonable development period, to show the purpose for which these losses were incurred, their nature and their extent. Such showing has not been made by the company in this proceeding and I am therefore compelled to reject the company's claim for compensation in this particular.

In this connection I wish to say that I reject as unsound the theory advanced by the company for measuring "going concern" value by the capitalization of a portion of the profits. The company suggests that the Commission might well adopt as a "rough measure of going concern value in condemnation cases the capitalization of the margin of net earnings between what might be termed a minimum rate of return and a normal rate of return." Counsel for the company says:

"Such a measure would not work injustice to either the public utility or the public authority. If earnings under rates fixed by the Commission have been less than a normal return, the public utility is not thereby mulcted of any portion of business value which properly should belong to it; if earnings on the other hand have for any reason been in excess of a normal return, the public authority is not required to pay for a business value measured by such excess earnings. We think that the Commission will eventually adopt some such criterion. If applied in this case, a return of 6 per cent may properly be taken as the minimum, and a return of 8 per cent as the normal, and the difference of 2 per cent between the two when related to the ascertained value of the physical properties and capitalized at an interest rate of 6 per cent might fairly be accepted as a measure of going concern value without doing apparent injustice to any interest."

I believe that the adoption of this rule by the Commission would be altogether unfair both to utilities and to the public and would also be in violation of the law.

Under such rule, if the utility actually earned less than 8 per cent and sold out, the public would be required to pay, in addition to the fair value otherwise found, a sum that would forever give to the past owners the difference between actual earnings in excess of 6 per cent and what would have been earned had the company made a profit of 8 per cent.

The application of this rule would be to say that a utility earning less than a full 8 per cent return has a greater "going concern" value than one earning a full 8 per cent return. The mere statement of this proposition reveals its absurdity.

The foregoing discussion of "going concern" value is confined to the facts of this case and is not intended as a final pronouncement of principle to govern in all cases arising in the future.

**(5) Severance damages.**

Severance damages, to the extent that actual severance occurs, will be allowed.

The company claims for this item the sum of \$102,097.62. This sum is made up of three items, as follows:

(a) Capitalization of annual expense of continuing Redding local organization (\$4,750.24 at 6 per cent)-----	\$79,170 66
(b) Capitalization of general executive and administrative expenses now chargeable to the business in the city of Redding (\$1,127.83 at 6 per cent)-----	18,797 16
(c) Construction of new electric and telephone circuits from company's substation to its shop and dispatching office to its meter testing station, switching station and to gas house----	4,129 80
Total -----	\$102,097 62

In addition, counsel for the company in his brief contends as follows:

"A fourth element of severance damages might well have been claimed, both upon principle and authority. The company is to lose for all time the retail profit derived from the Redding distributing service. In fact, there is no assurance that it will even occupy the position of a wholesale purveyor of power to the city, since the latter can not be prevented from seeking other sources of electrical energy. For the purpose of this proceeding, however, we have given the city the benefit of the doubt and assumed that energy will be purchased from the company. Beyond all question, however, the distribution profit will be lost to the company and gained by the city. The loss of this retail profit was considered by the Commission a proper element of severance damage in the Southern California Edison case, and included in its award. We have not here put forth any claim based upon the loss of this retail profit because we think it may be properly included in the computation of going concern value. Again, however, we desire that there shall be no misconception of the company's position. If the value of the business lost to the company through the acquirement of the Redding distributing system by the city were not to be included in the determination of going concern value, the company would expect to receive compensation for this element under the head of severance damages. In brief, the company expects complete reimbursement, but nothing more."

The Commission has repeatedly made its position clear as regards allowances for severance damages, and this position is in accordance with the decisions of the courts and the authorities. If capitalization of profits can not be used as a measure of going concern, it can also not be used as a measure of severance damages.

It is my conclusion from the evidence in this proceeding that the value of the company's business and earning capacity will not be impaired



by the sale of the distributing system in the city of Redding if the just compensation to be paid for the property is taken into consideration. There will be, after severance, a market for all of the company's output of electricity. It is assumed by the company—and in my opinion this assumption is a correct one—that the city of Redding will buy electric power wholesale from the company. Inasmuch as the rate for such power will be fixed by the Commission, the assumption is that the company will be allowed to earn a profit on the sale of such power. Since the city of Redding, in accordance with the company's own computations, absorbs only approximately 1 per cent of the total kilowatt-hour sales of the system, and since it is to be charged with less than 4 per cent of the total connected load of the system, it is evident that no noticeable disturbance in the company's business will result and no portion of the company's business will become idle through the consummation of this transaction. It may very likely develop that the company's Redding business, in the event of wholesale distribution to the city, will be more profitable to the company in the future than it was in the past because of the high cost of retail distribution.

There is then left for analysis the company's claim for severance damages under the three items enumerated above. The company's estimate of the first of these items, it is to be noted, proceeds on the theory that there are now certain labor, material and overhead costs associated with the Redding business that can not be discontinued and that will have to continue for all time to come if the company discontinues retail distribution of electricity in Redding. Analysis of the first item shows that there is included in the charge to be capitalized such items as the setting and removing of transformers, the setting and removing of meters, repairs to overhead distributing system, repairs to line transformers and devices, repairs to electrical services, new business expenses, collections and other items definitely chargeable, in my opinion, to the cost of maintaining the Redding electric distributing plant. Such expenditures, after this sale of the system to the city, will, of course, cease. I can see no reason whatsoever why expenditures of this nature should continue in the years to come when the company will no longer be responsible for the upkeep of this property and business and for the collection of bills.

Other charges to the first item such as salaries, office supplies and expenses, superintendence, general labor and supplies and commercial department salaries and expenses are also made. It may be that it is not possible to eliminate altogether some of these expenses after the Redding property is sold. I can see no reason, however, why they should not be eliminated in a large part and why the small remaining portion

is not a proper charge either to retail business in other districts or to the future wholesale business with the city of Redding.

The fact that the company also operates a gas and a water utility in the city of Redding and that the business of both of these utilities will not be affected by the sale of the electric plant, is, to my mind, another reason why it should be possible to reduce expenses for supervision, material and labor to the degree requisite under the changed conditions.

The evidence shows that the same clerical force now is utilized in keeping the books, collecting accounts, etc., in the city of Redding for the electrical, the gas and the water properties, and that the expense of maintaining such organization now is apportioned to these three utilities. The company claims that it is entitled to damages by reason of the fact that there are certain economies in such joint operation and that it will not be able to reduce the cost of its general office force in proportion to the amount which now is charged against its electrical property. This may be true, but it must be borne in mind that whatever cost is necessary to maintain such accounting and collecting force is directly chargeable to operating expense, and must be borne by that particular utility so long as they are reasonable. If by reason of combining several utilities under one management certain economies result therefrom the later separation of those utilities will not prevent each of those severed utilities from charging the full legitimate expense of accounting and collecting to the consumers which they serve. Manifestly it would be impossible in future rate proceedings involving the water and the gas properties owned by this company in the city of Redding for the Commission under its forms of accounting to keep in mind that a portion of the cost of maintaining the accounting and collecting organizations for the two remaining utilities owned by the company had been paid for in this proceeding and should be deducted from the total of their operating expenses. There is no doubt that the water and gas consumers should pay all the cost of accounting and collecting bills for the service rendered to them and that no portion of this expense be passed over to the electrical consumers. This claim can not be allowed.

There remains the consideration of the third item, representing the cost of construction necessary to make connections of circuits for the purpose of economical operation of the company's business after the Redding distributing system has been taken over by the city. The city has announced its willingness to grant the company for its telephone system the use of the city's poles and asks the company to pay merely a fair proportion of maintenance charges. The city is also on record as

agreeing to furnish the company with such power as it may need for the conduct of its gas and water business within the city at actual cost and without profit. The use of the city's poles for the company's telephone wires is entirely practicable and is in line with a number of joint pole agreements in various parts of the state. Such a joint pole arrangement for the purpose of furnishing transmission for electric power for the gas and water plant, could, no doubt, be made between the city and the company in case the latter desires to maintain independent circuits for those purposes and does not wish to avail itself of the city's offer of service at actual cost without profit. I believe it is in the interests of both parties that duplicate construction should be avoided if possible. I suggest that the city and the company enter into a written contract providing for satisfactory arrangements as regards telephone and power lines. In the event of a failure to come to an understanding as regards such a contract, the city should be asked to pay the actual costs of such construction as may be necessary for such purposes and it should pledge itself accordingly.

It is not necessary to make an advance estimate of such cost or to fix upon a definite sum of money to be paid by the city for that purpose. A binding agreement on the part of the city will be sufficient.

No severance damages other than this one will result to the company. The company's entire generating system and all transmission lines not sold will be exactly as useful as they were before. The same amount of electric energy will be generated and the same amount will be sold and consumed, and there will be a profit from the business, as far as this transaction has any bearing on such profit, just as great as there was before the sale of the property.

**(6) Summary of just compensation.**

It is my conclusion that the just compensation for this property should be made up of the following items:

(a) Fair value of physical properties plus overheads, including franchise value and going concern, \$42,041.

(b) Development cost should not be allowed in this case for the reasons heretofore stated.

(c) Severance damages can probably be eliminated by a contract between the company and the city providing for adequate arrangements for telephone and power circuits for the company's needs in the city of Redding. If an agreement can not be reached, the city should pledge itself to the payment to the company of the actual cost of making the necessary arrangements, such construction to be carried out either by the city and at the city's expense to the satisfaction of the company, or by the company at the city's expense. In either case the Commission will be willing to lend such assistance as it may be able to offer for the making of necessary arrangements in the most economical and efficient manner.

In conclusion I wish to make a few observations on what to me appear to be some very significant tendencies and facts developed in this proceeding.

The city of Redding in conformity with the powers conferred on it by the Constitution, by the Public Utilities Act and by the general laws, desires to avail itself of its right to acquire a utility in order to operate it as a municipal enterprise. It goes without saying that in such proceedings just compensation should be paid for the property to be taken, it does not appear that the laws of the state contemplate the throwing of unnecessary obstacles in the way of a municipality desiring to embark on such an undertaking. To my mind, the term "just compensation" implies that the transaction should be a just one to both the owners of the utility and the citizens of the city.

While the possibility of the city's duplicating this system and ignoring the existence of the company's plant (with the resulting economic waste), has not in any way influenced a determination of the amount of just compensation in this proceeding, I would be blind to the facts if I did not recognize that this possibility exists. With specious theories and unreasonable construction of perfectly sound general rules laid down by law and by the courts, it is easy to build up figures so clearly out of reason that they can not be brought into accord with any conception of "just compensation." If the amount demanded by the utility on the face of it is several times what the city would have to pay if it proceeded to duplicate existing properties, then it is quite evident to me that the provisions of the Public Utilities Act enabling cities to proceed in an orderly and economically sound manner to acquire utilities, will be a dead letter. Work such as this Commission is doing in cases of this nature will be lost motion and can not possibly lead to practical results. In this case, if the attempt were made to compel the city of Redding to pay the sum of \$226,309.01 for this property, it is at once evident that the city would dismiss the proceedings and either have to abandon its policy or proceed with the building of a duplicate plant. And yet it would seem difficult to devise a system calculated to afford the company a fairer deal than the system prescribed in section 47 of the Public Utilities Act, and it is a certainty that by the installation of a duplicate plant, the city and company would both be the losers.

I do not believe that the Commission should ignore considerations of such a fundamental nature on the assumption, perhaps, that the law requires it to proceed along a narrow interpretation of the act without keeping in mind that this act places upon the Commission not only certain judicial functions but also, in the main, general administrative functions. It is my opinion that it was because of its supposed fitness to deal in an intelligent manner with the greater questions involved that the law places upon the Commission the duty of determining the just compensation in cases of this nature.

According to the company's own statement, the profit from whatever investment it has in the Redding plant and business amounts to less than \$3,800. This statement is more or less uncertain. It is more likely that a fair measure of net earnings of the Redding investment is had by applying to this small portion of the company's entire plant a general average of all the company's earnings. This general average has been shown to be between 4 and 5 per cent; or, on the basis of the figure found as compensation, somewhere in the neighborhood of \$2,000.

A simple test of whether or not just compensation is granted the company from an earning standpoint can therefore be had:

(a) *Present condition*: Company is now earning not in excess of 5 per cent on an investment in the Redding property of approximately \$50,000, or \$2,500.

In addition, the company earns an amount sufficient to take care of depreciation.

(b) *Condition after property is sold and just compensation paid*: Company will receive for property and business \$42,041. This entire sum may be invested in company's own 5 or 6 per cent bonds which now sell in the open market at a price yielding better than 6 per cent. (6 per cent on \$42,041 = \$2,522.)

Company retains accumulated depreciation reserve for Redding property.

Earning capacity of company will not be reduced for the reason that city will be buying power wholesale, and no idle plant capacity will result. City will buy power from company at rates yielding a profit.

There will be a net saving in operating expenses and in depreciation of at least \$3,000 per year. (See Company's Exhibit No. 1.)

Actual cost of severance will be paid by the city of Redding or arrangements eliminating severance will be made.

If this same test is applied to the company's claims, we have the following startling results:

(a) *Total claim for just compensation* is \$226,300.01. This entire amount would be available for reinvestment, as stated above, since the earning capacity of the company will remain the same. The amount invested in the company's bonds at a yield of 6 per cent would give an annual net return of \$13,579, or more than five times as much as the property is now earning. This amount would be earned with a lesser risk than at present and without responsibility for property and management.

Company would retain depreciation reserve and would make net savings in operating expenses of at least \$3,000 per year.

Company would pay for the actual cost of construction of new circuits and for telephone lines the cost of which, according to the company's own estimate, would be \$4,130.

It will be noted, therefore, that if these claims were allowed, the company would find itself, in so far as the Redding property is concerned, in at least six times as good a position as compared with its present and future earning capacity.

No more profitable transactions could possibly be imagined than condemnation cases of this nature, especially if the utility were able to sell out to municipalities on a piecemeal basis.

I submit to the Commission the following findings:

#### FINDINGS.

City of Redding, a municipal corporation of the sixth class, having filed with the Railroad Commission a petition setting forth the intention of said city to acquire under eminent domain proceedings or other-

wise specifically described parts or portions of property and rights of Northern California Power Company, Consolidated, a public utility, and asking the Railroad Commission to fix and determine the just compensation to be paid to Northern California Power Company, Consolidated, for said property and rights; a public hearing having been held, the parties hereto having been accorded full opportunity for the presentation of whatever evidence they desired to introduce; briefs having been filed, this proceeding having been submitted and the Railroad Commission having been fully apprised in the premises:

The Railroad Commission hereby makes its findings of facts as follows:

(1) *The Railroad Commission hereby finds as a fact* that the just compensation to be paid by the city of Redding to Northern California Power Company, Consolidated, for that part or portion of said company's property and rights, not including severance damages, which said property and rights are described in Appendix "A" and made part of these findings, is the sum of \$42,041.

*The Railroad Commission hereby finds as a fact* that the just compensation to be paid by the city of Redding to the Northern California Power Company, Consolidated, as severance damages to the property and rights of the Northern California Power Company, Consolidated, not to be taken by the city of Redding, resulting from the taking of the property and rights described in Appendix "A" attached hereto and made part of these findings, is the actual cost of making or constructing such new circuits from the company's substation in the northern outskirts of the city, to its shops and dispatching house, and from this point to its meter testing station, its switching station in the southerly part of the city and to its gas house, as may be necessary, these circuits to carry electricity and also to provide a position for the carrying of telephone circuits where necessary; all as per agreement to be entered into between the city of Redding, and the Northern California Power Company, Consolidated, this agreement to be approved by the Commission.

As a more satisfactory alternative, it is suggested that the company and the city of Redding enter into an agreement, to be approved by the Commission, avoiding unnecessary and duplicate construction and providing for the use of the city's poles by the company for such electric and telephone circuits as may be necessary and on terms mutually agreeable to the city and to the company.

The foregoing opinion and findings are hereby approved and ordered filed as the opinion and findings of the Railroad Commission of the State of California.

Dated at San Francisco, California, this thirty-first day of July, 1919.

## EXHIBIT "A."

*Description of Property to be Acquired by the City of Redding from the Northern California Power Company, Consolidated, as Covered in Application 3718.*

(Description as per amendment to original application filed by the City of Redding on February 27, 1919.)

A full and complete description of the public utility property and rights, or the parts and portions thereof which it is intended to acquire, is as follows:

590 poles and appurtenances, including cross-arms, pins, brackets, cross-arm braces, bolts, lugs, spacing, bolts, pole steps, anchors, guys, guy guards, guy clamps, all transmission wire and insulators, transformers with cutouts, switches and appurtenances, and all service wires with insulators and appurtenances, conduits, meters including all appurtenances and appliances used by the Northern California Power Company, Consolidated, in distributing electrical energy to the City of Redding and its inhabitants, the said properties being more particularly described in the report of the Engineering Department of the Railroad Commission of the State of California, dated October 2nd, 1918, which description in said report is hereby referred to and made a part hereof.

(Accompanying decision of the Railroad Commission of the State of California in Application 3718, decided July 31, 1919.)

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DECISION No. 6539.

IN THE MATTER OF THE APPLICATION OF WATSONVILLE WATER AND LIGHT COMPANY FOR AN ORDER AUTHORIZING INCREASE OF WATER RATES.

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Application No. 4103.

Decided August 1, 1919.

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**VALUATIONS—WATER UTILITY PROPERTY—UNUSED PROPERTY.**—In making a valuation of water utility property for rate-fixing purposes, a body of water owned by the utility, entirely separated from its water system and not used or useful in the service of water to its consumers, will not be included as property on the value of which a return is allowed.

**VALUATIONS—WATER UTILITIES—RATE BASE.**—Reproduction cost submitted by the utility which is based on estimates of what prices of materials and labor will be two years hence, is held to be of too speculative a character and accordingly of very little value in determining a rate base.

**WATER RIGHTS—VALUATION OF.**—When the evidence shows that a utility's right to divert water was actually secured by the company by appropriation and the extinguishment of riparian rights and that if the company were now to acquire such rights the same method would be used, an amount is allowed under the head of water right values based on what it did cost and would cost the company to acquire same; provided, that if the supply is in excess of the amount required to care for its business, a proportionate amount only of such cost will be allowed.

**WORKING CAPITAL—ALLOWANCES FOR—RATES PAID IN ADVANCE.**—When the large majority of a utility's consumers are on a flat-rate basis which rates are collected in advance, the working capital required by such utility will not be as

large as would be the case were it operating on a metered basis. The sum of \$2,500 is allowed as working capital in the present proceeding.

**GOING CONCERN VALUE—NECESSITY OF SHOWING EXISTENCE OF.**—It is held to be incumbent upon public utilities to show the existence of going concern value for which the company has not in the past been compensated, otherwise no separate allowance will be made for this element of value.

Revised schedule of metered and flat rates established for system of applicant and recommendation made that applicant take steps to meter all consumers.

*Walter H. Linforth and Wyckoff & Gardner, by H. C. Wyckoff, for Applicant.*

*A. W. Sans, for city of Watsonville.*

*BRUNDIGE, Commissioner.*

#### OPINION.

This is a petition brought by the Watsonville Water and Light Company for an order of this Commission fixing and establishing just and reasonable rates to be charged for water to the inhabitants of Watsonville and vicinity in the counties of Santa Cruz and Monterey.

The application alleges in effect that Watsonville Water and Light Company, applicant herein, is a corporation duly organized and doing business under and by virtue of the laws of the State of California, and is engaged in the business of supplying water to the inhabitants of the city of Watsonville and vicinity; that the rates in effect were established by an ordinance of the city of Watsonville, approved June 2, 1914; that the rates charged for water delivered outside of the city of Watsonville were not established by a rate-fixing body; that the present rate schedule does not produce sufficient return to meet necessary cost of operation, replacements and interest on the fair value of the system. Wherefore, applicant prays that this Commission establish just and reasonable rates.

The rate schedule heretofore in effect, which was established by Ordinance No. 148, dated June 2, 1914, by the board of aldermen of the city of Watsonville, provides for a maximum rate to be charged consumers. The measured rate schedule established is as follows:

Minimum, \$1 per month.

For all water used, 20 cents per 1000 gallons.

In addition to the above rates for domestic service within the city, applicant sells water for irrigation of strawberries. It has heretofore charged \$30 per acre per annum for this service, if taken from the pipe mains of the system, and \$25 per acre per year if taken from the overflow of the reservoir.

At the time of the establishment of this rate schedule, there were installed only a very few meters, therefore the major portion of the ordinance establishes a flat rate schedule varying from a minimum of \$1 per month for tenements occupied by a single family of not more



than five persons to \$10 per month for breweries. There are various intermediate rates for other different classes of use, and a charge of \$100 per month for all use of the city of Watsonville.

This system was inaugurated in the early 70's by James M. Rodgers and Wm. Landrum, who appropriated water from Corralitos Creek and Brown Creek for the operation by water power of a flour mill.

A 12-inch wooden flume was built from the flour mill to Watsonville. Afterwards the then owners acquired by deeds the riparian rights of the various landowners abutting on the creek below the intake on the two creeks. Francis Smith and W. W. Montague purchased the plant in the early 80's and owned and operated the system until 1896, when the present corporation was formed with an authorized capital stock of \$500,000. In consideration of transferring the property to the corporation, one-half of the capital stock was issued to Francis Smith and one-half to the Montague interests. The present company improved, extended and enlarged the system by the installation of iron and steel pipes, the construction of a filter plant, and settling and distribution reservoirs.

The principal sources of water supply are Corralitos and Brown creeks. Water is diverted from these sources approximately nine miles from Watsonville, and flows by gravity through flumes and pipes to the distribution reservoirs located  $1\frac{1}{2}$  miles from the city. Here the water is filtered by a Jewell filter and is chlorinated before entering the reservoirs.

There are three reservoirs for storing this water. No. 1 is a concrete lined reservoir having a capacity of about eight million gallons; No. 2 is built of brick and concrete, and has a capacity of eight hundred thousand gallons. The third reservoir is of earth and bulkhead construction and is not in use at present except for receiving the waste water, which is conducted from the reservoir to Corralitos Creek by a 15-inch pipe.

The Jewell filter has a capacity of about 800,000 gallons per day. The reservoir may be by-passed and the water flow direct from the Corralitos main into the transmission main extending from the reservoir to the city. By this means it is stated a pressure of from 80 to 100 pounds can be obtained in town for emergency fire purposes.

From the reservoir the water is delivered by an 18-inch riveted steel main to the distribution system. The reservoir is at a sufficient elevation to provide from 30 to 40 pounds pressure throughout the city.

During periods of flood the water in the streams becomes too muddy to pass through the filter. To provide clear water during these periods, six 12-inch wells were drilled within the city limits. From these wells water is pumped by two 8-inch centrifugal pumps into

the distribution mains. Any surplus remaining over draft flows into the distribution reservoirs. This plant has a capacity of approximately one and one-half million gallons per day.

Applicant is at present delivering water to approximately 1860 consumers, of which some 170 are metered. In addition to the domestic consumers, the company has sold water to a number of irrigators along its pipe lines. The principal crop irrigated is strawberries.

In addition to the system above described, the company owns a body of water known as Pinto Lake, about three miles north of the city, and occasionally permits ranchers in the vicinity to pump water from it. This use, however, is occasional, and the Pinto Lake system is entirely separate from the system supplying water to the city of Watsonville. The Pinto Lake system therefore is not in use and will not be considered as a part of the system for the purposes of this proceeding.

At the hearing appraisals of physical properties were submitted by H. W. Crozier, representing Sanderson & Porter, for applicant, and by the hydraulic engineers of the Commission. In addition there was submitted with the application, as Exhibit B, an inventory purporting to represent the book cost. A comparative tabulation of these appraisals, exclusive of real estate, follows:

	Cost, new	Cost, depreciated
By Sanderson & Porter—		
Estimated original cost.....	\$269,820 00	
Reproduction cost .....	436,206 00	\$288,666 00
Commission's engineers .....	226,236 00	
Book cost .....	243,909 00	

The basis used by Mr. Crozier in arriving at his estimated original cost was the book cost of the installations of pipe since 1910. Where no records of cost were available, an estimate of the original cost was made. These pipe installations were largely renewals and the records show that in many instances the reported cost included expenses of renewing service connections, hydrants and meters, tapping mains, salvaging old pipe, and other expenditures which would not ordinarily obtain in new construction. The cost of installing service connections, hydrants and meters, is included in the appraisal as such, therefore their inclusion in the unit price of pipe is duplication. To the cost obtained by this method, Mr. Crozier added an overhead percentage.

The so-called reproduction cost, submitted by Mr. Crozier, is based upon an estimate of what the price of material and labor will be two years hence. Mr. Crozier stated that this estimate was submitted

for the purpose of determining a replacement fund. An estimate of this character is, at best, speculative, and enters the realm of conjecture. It, therefore, is of very little assistance in determining a rate base.

The depreciated cost reported by applicant's engineers is arrived at by depreciating the reproduction cost by a number of different methods. The 6 per cent sinking fund method of depreciation was used in arriving at the present value of the pumping plant, the straightline method, for the distribution and pipe system, and the inspection method for many other items. Thus the total arrived at is a combination of all these methods and does not reflect the depreciated cost of the property. The estimate submitted by the Commission's engineers is based upon the average cost of materials prior to the recent abnormal increase, plus the actual expenditures incurred during the present period of high prices. The book cost submitted is based upon an appraisal made in 1909, to which is added the book cost of additions and betterments.

After carefully considering all of the facts submitted in regard to the value of the structural properties, it appears that the estimate submitted by the Commission's engineers more nearly approximates a fair rate base for the purposes of this proceeding.

Investigation was made of the value of the real estate, both by applicant's and the Commission's engineers. Both engineers agreed as to this item and it appears reasonable. Testimony shows, however, that a portion of the tract, five acres in area, known as the Ford Street Pump Tract, is not used and useful at this time. The entire tract was purchased with a view of future development of the underground water supply, and it does not appear reasonable that it be charged against the present consumers. This tract, together with some small buildings, cost applicant \$9,000. From the evidence it appears that a fair amount to be included in the rate base as the value of this tract is \$4,500. Adjusting the sum of \$12,497 submitted as the value of real estate, for this deduction, there is remaining the sum of \$7,997 as the value of used and useful real estate.

Mr. Crozier submitted an estimate of the value of water and riparian rights of \$69,595. Applicant claims the right to the entire flow of Corralitos and Brown creeks. This right, it was contended, was acquired by them both by the appropriation of all of the waters of these streams and by the extinguishment of the riparian rights of practically all of the owners abutting on the streams below the intakes. Title has been secured through deeds and agreements covering water rights, riparian rights and rights of way. There is no record of the original cost, the records of the company having been destroyed in the San Francisco fire in 1906. The deeds, in most instances, recite only

a nominal consideration of one dollar, with the right to tap the water company's mains and receive free water for domestic use. However, a partial cost is disclosed by the considerations mentioned in six of these deeds, totaling \$9,900. Twenty-eight out of a total of sixty-four of these deeds provide for free service, and two provide for service at reduced rates.

Mr. Crozier arrived at his estimated value of water rights by assuming that it would be necessary for applicant to acquire all of the tributary watershed area which produces this supply. He then estimates the value of this area and states that because of the fact that the company did not find it necessary to make this purchase in order to acquire their water rights, there was a considerable saving over the above sum, which he considers should be divided with the consumers. He therefore divides the sum of \$139,190, which is the estimated value of the watershed lands, by two, and arrives at the sum of \$69,595 as the value of water rights for the purposes of this proceeding.

As before stated herein, the evidence shows that the right to divert water was actually secured by the company by appropriation and the extinguishment of riparian rights, and it appears that if the company were now acquiring these rights, that the same method would be used. It, therefore, is logical that in arriving at the value of these rights, the Commission assume that their value is what it did cost and would cost applicant to appropriate the waters of these streams and extinguish the riparian rights. A part of the consideration for these rights was the delivery by the utility of free water, and this fact should be given consideration in arriving at their value.

It appears from the evidence submitted that these rights did and would cost the company approximately \$20,000. Only a part of the available supply is necessary for supplying the present consumers. The low flow of the stream as measured, is three million gallons per day, whereas the draft approximates one and one-half to two million gallons daily. That portion of the value of these rights used in serving present consumers, with a reasonable allowance for needs in the immediate future, is included herein as a part of the rate base upon which interest is allowed.

Applicant contends that there should be included an allowance for working capital, and estimates that the sum of \$5,000 is necessary. Mr. Crozier arrived at this sum by assuming that the actual operation of the system would require a working capital of \$3,500, and in addition thereto the sum of \$1,500 to cover cost of construction, such as extensions and replacements. The Commission's engineers estimated that the maximum requirement for this purpose would not exceed \$2,500. This estimate was made upon the basis that the system was

metered and the utility would not collect from its consumers until the end of the month of use, whereas at present this system is unmetered and the monthly flat rates are collected in advance, which reduces the working capital required. I am of the opinion that \$2,500 is sufficient for this purpose, and that sum is used herein.

There are no records available of the cost of developing the business or of making this plant a going concern. Applicant claims a value for this element of \$15,000, based upon an estimate that it would require ten years to build up its present business. This sum is arrived at by assuming that in addition to the original cost of the plant, the company would have to spend certain additional moneys representing operating expenses, which, in this case, it is assuming, is about \$4,100 annually, or a total of \$41,000 for the ten-year period; and during this period it would receive an average of only approximately one-half of the earnings. Therefore, it is contended that the going concern value would be one-half of \$41,000, or approximately \$20,000. This amount is reduced by \$5,000 because, in the opinion of applicant's engineer, the earnings were somewhat larger than one-half.

From such fragmentary records as are available of income and expenses incurred by applicant during the early years of its operation, it appears that probably applicant has had returned to it any expense to which it may have been put. The Commission's hydraulic engineers testified that a similar plant with practically the same rates had produced more than sufficient revenue to return the cost of making it a going concern.

The rates established by the municipal authorities, which were in effect in the past, were somewhat higher than those in effect at present. The beginning of the present plant was cheaply constructed, and developed gradually as the demands of the city increased. It is incumbent upon applicant to show the existence of a going concern value.

In view of the fact that the evidence fails to show any going concern value for which the company has not in the past been compensated, it appears that no separate allowance should be made for this element of value.

Totaling the various preceding elements of value, we arrive at the sum of \$250,000, which, it is found as a fact, is a fair sum upon which return shall be allowed for the purposes of this proceeding.

Applicant's engineers did not submit a sum to be included in the annual charges for replacements. The Commission's engineers estimate that the sum of \$2,437 is sufficient for this purpose. This sum includes an allowance for the cost of replacing pavements over the pipes.

The following tabulation shows the maintenance and operation expense for the past three years:

Item	Year 1916	Year 1917	Year 1918
General office and officers' salaries and expenses -----	\$1,407 01	\$1,702 43	\$5,779 27
Commercial expense, collections, reading meters, etc. -----	1,911 97	1,896 84	2,093 25
Power purchased for pumping -----	566 15	288 00	1,137 60
Taxes and insurance -----	3,608 29	3,884 46	3,702 12
Miscellaneous maintenance and operation expenses -----	4,012 77	3,307 27	3,929 70
Totals -----	\$14,506 19	\$11,079 00	\$16,641 94

The light rainfall during 1918 and the increase in the power rate occasioned a large increase in the cost of the power purchased for pumping, which it appears will not recur each year.

From an analysis of all of the items going to make up the operating expenses incurred heretofore by applicant, it appears that the probable future expense incurred for the present consumers will approximate \$15,000 annually. A summary of the annual charges follows:

Interest on \$250,000 at 8 per cent -----	\$20,000 00
Replacement fund -----	2,437 00
Operating expenses -----	15,000 00
Total -----	\$37,437 00

The present rate schedule produced a revenue of \$29,555 during 1918. It is therefore apparent that the present rates did not return to applicant fair and reasonable annual charges. The system is at present only 10 per cent metered and approximately 78 per cent of the income for the year 1918 was derived from the flat rate consumers. It is impossible to establish a schedule of unmeasured rates whereby the burden of maintaining a plant of this character is equitably distributed among the various consumers in proportion to their use of water. A detailed house survey was submitted by applicant from which the flat rate schedule set out in the following order was computed. These rates are designed to make each consumer bear his fair share of the burden.

As has been stated many times by this Commission, a measured schedule of rates is the only method by which each consumer bears his proportion of the expense. The benefit to be derived from a metered system is not only an equitable distribution of the charges, but is also a means whereby the water supply can be conserved, good service rendered, and operating expenses reduced.

In order to operate efficiently, applicant should proceed with some comprehensive program for metering its entire system.

It is estimated that the rate schedule established in the following order, will produce the annual charges set out above.

I submit herewith the following form of order:

### ORDER.

Watsonville Water and Light Company having applied to this Commission for authority to increase its rates charged for water for domestic and irrigation uses, and a public hearing having been held, and the Commission being fully apprised in the premises,

*It is hereby found as a fact* that the present rate schedule of Watsonville Water and Light Company, in so far as it differs from the rate schedule herein set out, is unjust and unreasonable, and that the rate schedule herein established is just and reasonable; and basing its order on the foregoing finding of fact and on the other findings of fact contained in the opinion which precedes this order,

*It is hereby ordered* that Watsonville Water and Light Company be, and it is hereby, authorized and directed to file with this Commission within twenty (20) days from the date of this order, and thereafter charge for all meter readings subsequent to the date of filing, the following rates:

#### Metered use.

#### RATE SCHEDULE.

To apply to all users on separate premises, in whatever ownership.

##### 1. Monthly minimum payments for metered service.

For $\frac{3}{4}$ -inch or $\frac{1}{2}$ -inch meters.....	\$1 00
For 1-inch meter .....	1 25
For 1½-inch meter .....	1 50
For 2-inch meter .....	2 00
For 2½-inch meter .....	2 50
For 3-inch meter .....	3 00

##### 2. Monthly quantity rates.

600 cubic feet or less.....	1 00
For use over 600 cubic feet, per 100 cubic feet.....	15

#### Municipal use.

##### 1. For fire hydrants owned by company.

2-inch, each per month.....	1 25
4-inch, each per month.....	1 85

##### 2. For fire hydrants owned by city.

2-inch, each per month.....	1 00
4-inch, each per month.....	1 50

##### 3. Sprinkling roads and streets by the city or counties, measured by wagon or truck tank capacity, per 100 cubic feet.....

0 10

##### 4. Automatic sewer flushers, according to measured or computed quantity of water used, per 100 cubic feet.....

0 10

##### 5. All other municipal use of water at the regular meter rate.

*Flat rates.*

To apply to all users on separate premises in whatever ownership.

Per month

1. Residences and tenements of not more than six rooms, occupied by single families, with not over one bathtub and toilet-----	\$1 20
For each additional room-----	10
For each additional bathtub or toilet-----	15
For each private garage where autos are washed on the premises---	25
For each private barn, not more than two horses or cows-----	50
For each additional horse or cow-----	20
2. Private boarding houses, for each boarder in addition to the family---	10
3. Sprinkling or irrigation of lawns, shrubbery, gardens, etc., payable every month in the year, per square yard-----	00 1/4
4. Hotels and lodging houses:	
Dining room, from-----	1 50 to 4 00
For each room with water tap-----	20
For each room without water tap-----	10
For each private bathroom-----	25
5. Public toilets in hotels, lodging houses and public places-----	1 25
For each additional toilet-----	50
6. Public urinals in hotels, saloons, office buildings or any place, for each bowl where a drain is used, each-----	3 00
With automatic trap flusher, from-----	1 00 to 5 00
7. For one public bathtub in hotels, lodging houses, barber shops and bathing establishments-----	1 50
For each additional public bathtub-----	75
8. Offices, rooms in upper stories of buildings so occupied, for each room, except doctors' and dentists' offices-----	25
9. Doctors' and dentists' offices, according to number of rooms and whether or not running water is used for flushing or other purposes-----	1 00 to 3 00
10. Photograph galleries, or where water is used for photograph printing and developing, in addition to store rate-----	1 50
11. Water for irrigation of strawberries, general charge per acre per year--	35 00

The foregoing opinion and order is hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this first day of August, 1919.



## DECISION No. 6541.

IN THE MATTER OF THE APPLICATION OF THE BAY POINT AND CLAYTON RAILROAD COMPANY FOR REVISION OF DIVISION OF RATES WITH THE OAKLAND, ANTIOCH AND EASTERN RAILWAY COMPANY.

Application No. 4305.

Decided August 1, 1919.

**JOINT RATES—DIVISION OF.**—The present division of joint rates on cement by which the Bay Point Railroad receives 10 cents per ton with a minimum of \$5 per car when the joint rate is \$1 or less and 20 cents per ton when the joint rate is in excess of \$1 is held reasonable for the service performed.

**INDUSTRIES—DISCRIMINATION, JOINT RATES TO.**—It is held to be discriminatory to increase the proportion of joint rates on cement to a small railroad controlled by an industrial concern, when its principal tonnage is the product of such industry, without effecting a similar change in the division of joint rates received by several other small roads in the state serving similar industries.

*Mastick & Partridge*, by *John S. Partridge*, for Applicant.

*Steinhart, McAttee & Levy*, and *Sanborn & Rochl*, for Oakland, Antioch and Eastern Railway Company.

*LOVELAND*, Commissioner.

**OPINION.**

The Bay Point and Clayton Railroad Company on January 8, 1919, petitioned this Commission under section 33 of the Public Utilities Act to prescribe the division of the earnings in connection with the through route and joint rates applying to cement, carloads, from Cowell to Concord, Walnut Creek, Danville, Mallard, Pittsburg, Oakland, Sacramento and to other points located on the Oakland, Antioch and Eastern Railway.

The Bay Point and Clayton Railroad was incorporated August 29, 1906, under the laws of the State of California. The line extends from Cowell to Bay Point, a total distance of 8.19 miles, connecting with the Southern Pacific Company and The Atchison, Topeka and Santa Fe Railway Company at Bay Point and with the defendant at Clyde. Applicant's railroad is owned by the same interests as control the Cowell Portland Cement Company and was constructed primarily to serve the cement plant located at Cowell.

According to an exhibit presented at the hearing, applicant commenced regular operation on June 1, 1909, and claims an investment as of December 31, 1917, of \$225,518.84. During the first four years of its operations, June 1, 1909, to June 30, 1913, it accumulated a surplus of \$41,305.96. In 1914 it had a net income (profit) of \$1,328.55, while during the period from June 30, 1915, to December 31, 1918, inclusive,

it suffered a net loss of \$21,743.48, thus reducing its surplus from \$41,305.96 as of June 30, 1913, to \$20,891.03 on December 31, 1918. Prior to December, 1912, there were no joint rates on cement with main-line carriers and applicant received a much higher revenue per ton for the transportation of this commodity based on the combination of local rates than it later received when joint rates were established. The record further shows that in the year 1916 a pipe line was constructed into the plant of the cement company, thus depriving applicant of the freight revenue from approximately 26,000 tons of fuel oil per annum. These changes, no doubt, account for the unfavorable financial showing made during the last four years.

The gross earnings, based on the total freight tonnage, represented 18.3 cents per ton in 1916, 18.4 cents in 1917 and 21.9 cents in 1918, or an average of 19.5 cents per ton for a three-year period.

During the five years 1914, 1915, 1916, 1917, 1918 applicant transported a total of 708,672.94 tons of freight. Of this total 603,168.92 tons were outbound and 105,504.02 tons were inbound. As closely as can be determined from the exhibit filed 592,068.95 tons of the outbound freight were moved on behalf of the Cowell Portland Cement Company and only 11,099.97 tons for outside parties. This represents 98.16 per cent for the Cowell Portland Cement Company and 1.84 per cent for outside parties. Of the inbound traffic 101,082.34 tons were for the Cowell Portland Cement Company and 4,421.68 tons for outside parties, or a percentage of 95.81 and 4.19. Taking the combined tonnage, outbound and inbound, it is found that there were handled for the Cowell Portland Cement Company 695,151.29 tons and for outside parties 15,521.65 tons, or a ratio of 97.81 per cent and 2.19 per cent. This demonstrates clearly that applicant's railroad was constructed and is now being maintained for the traffic of the cement company, there being practically no outside business.

The joint rates here under discussion were first published in Oakland, Antioch and Eastern Joint Freight Tariff No. 8, C. R. C. No. 33, effective October 7, 1915. Prior to July 8, 1918, applicant was receiving from the Oakland, Antioch and Eastern through Clyde the same division of the joint earnings as it received in connection with tonnage handled by The Atchison, Topeka and Santa Fe and Southern Pacific Company through Bay Point. Apparently, the basis was satisfactory to the parties in this proceeding, for they agreed to it in October, 1914, as evidenced by correspondence between the traffic managers of the two companies.

Statement set forth below shows the rates to the specified points in effect prior to July 8, 1918, and those established on that date:

From Cowell to	Prior to July 8, 1918	July 8, 1918, and at present
Concord -----	\$0 75	\$1 20
Walnut Creek -----	75	1 20
Danville -----	1 25	1 70
Mallard -----	30	70
Pittsburg -----	50	90
Oakland (Fortieth and Shafter streets) -----	75	1 20
Sacramento (Front and M streets) -----	1 00	1 40

The change in rates July 8, 1918, amounted to an increase of practically 40 cents per ton and is in line with the cement rate increases made effective June 25, 1918, by Director General of Railroads, W. G. McAdoo, in his General Order No. 28 on the federal controlled lines.

Since the advance in cement rates from Cowell to points on the Oakland, Antioch and Eastern, no change has been made in the basis for the division of the earnings, and applicant is now asking for a part of the 40 cents per ton increase in the joint cement rates. In answer to a direct question as to the earnings the Bay Point and Clayton should receive, its traffic manager stated that in his judgment the allowance to the Bay Point and Clayton should be 30 cents per ton out of rates not in excess of \$1 per ton and 40 cents per ton when the rates are over \$1 per ton.

The Oakland, Antioch and Eastern Railway was incorporated April 1, 1911, and operates an electric Railway between Oakland and Sacramento, with branches to Diablo and Pittsburg and has arrangements with the San Francisco-Oakland Terminal Railways for handling passengers between Oakland and San Francisco. The system includes the Oakland and Antioch Railway and the San Ramon Valley Railroad and has 105.57 miles of main line, with 17.49 miles of second track and sidings, making a total of 123.06 miles. In the year 1918 the total operating revenues were \$879,766.36; of this amount \$663,541.03 was passenger revenue and \$181,986.50 freight revenue. The company has operated at a deficit since the commencement of service: the net income (loss) was \$137,362.62 in 1914, \$157,439.74 in 1915; \$210,231.58 in 1916; \$149,989.77 in 1917 and \$34,161.20 in 1918, or a total loss of \$689,184.71 during the past five years.

For the benefit of this proceeding it will not be necessary to go into the details of defendant's financial condition, but it may here be stated that an assessment was levied against the stock in 1917 and that after the credits from this assessment had been applied the company carried as a deficit December 31, 1918, in its profit and loss account, the sum of \$862,325.93.

In the year 1917 the total cement tonnage originating at the plant of the Cowell Portland Cement Company and forwarded via the Bay Point and Clayton Railroad was 131,259 tons. Of this total approximately 25,000 tons were delivered to the Oakland, Antioch and Eastern Railway, and of this 25,000 tons, 21,000 tons were destined to Mallard Station for transshipment by water craft, leaving but 4000 tons in the year 1917 for delivery to points on the Oakland, Antioch and Eastern other than Mallard. In the year 1918 the total cement tonnage was 107,319 tons; of this total 16,000 tons were delivered to the Oakland, Antioch and Eastern at Clyde, and of the 16,000 tons approximately 13,000 tons were delivered at Mallard for transshipment by water craft, leaving but 3000 tons in the year 1918 for local points on the Oakland, Antioch and Eastern. The Bay Point and Clayton is now constructing a line to tidewater at Bay Point which, the testimony indicates, will be completed about August 1, 1919, when all shipments to Mallard Station will cease, but as a matter of fact, there have been no shipments to Mallard during the year 1919. It will thus be seen that by the elimination of the Mallard tonnage the Oakland, Antioch and Eastern receives at Clyde less than 3 per cent of the total cement tonnage handled by the Bay Point and Clayton, the other 97 per cent being delivered either to The Atchison, Topeka and Santa Fe or the Southern Pacific Company at Bay Point.

As shown by defendant's Exhibit No. 3, there were but 71 carloads of cement, other than the shipments to Mallard, forwarded to Oakland, Antioch and Eastern points during the year 1918. Of these 71 cars, 61 moved to Oakland, Sacramento, Concord and Meinert, where the rate prior to July 8, 1918, was \$1 per ton or less, out of which the Bay Point and Clayton received a division of 10 cents per ton, with a maximum of \$5 per car.

Under the rates as increased July 8, 1918, to these four points, as shown in the preceding exhibit, the Bay Point and Clayton Railroad will receive an increase in its revenue of 100 per cent; in other words, where the division was 10 cents per ton to the Bay Point and Clayton, that carrier now receives 20 cents per ton. The increasing of the rates to the other three points, Diablo, Pittsburg and Ohmer, to which the remaining ten cars were consigned, will not change the division of the earnings to the Bay Point and Clayton, but the total revenue accruing to the Bay Point and Clayton on tonnage to these three points was only \$33.30 during 1918 and, therefore, is of no importance. By the changing of the rates on July 8, 1918, the revenue for the balance of the year 1918 accruing to the Oakland, Antioch and Eastern was increased by 45 per cent, while that secured by the Bay Point and Clayton increased 90 per cent. On a tonnage basis the Bay Point and

Clayton has already received increased earnings of 100 per cent on 81 per cent of the traffic moved in connection with the Oakland, Antioch and Eastern by reason of the higher through rates.

The applicant owns but one locomotive and one flat car and in the year 1917 had but thirteen employees, consisting of three general office men, four section men, one station agent and five engine and train men. The total pay roll for that year was \$16,698.71, and of this amount \$5,400 covered the compensation paid to the three general office employees. The total expenses of applicant, including taxes and the hire of equipment, in the year 1916 were \$34,100.29; in 1917, \$31,207.19; and in 1918 \$32,793.33. These figures indicate that there have been no material increases in operating costs during recent years and no testimony was introduced on this point.

In cases Nos. 232 and 233, decided October 25, 1912, *Cowell Portland Cement Company and Bay Point and Clayton Railroad Company vs. The Atchison, Topeka and Santa Fe Railway Company and Southern Pacific Company* (Vol. 1, Opinions and Orders of the Railroad Commission of California, pages 809-825), this Commission established through routes and joint rates on cement from Cowell, the terminus of the Bay Point and Clayton Railroad, to stations located on the rails of the Southern Pacific and Atchison, Topeka and Santa Fe. An order was made in the above numbered cases requiring these main-line carriers to extend the rates applying on cement at Bay Point to Cowell, on the Bay Point and Clayton Railroad.

In deciding these cases, the Commission recommended certain readjustments in cement rates to points within California and suggested to the connecting main-line carriers that in the division of the earnings the Bay Point and Clayton receive 10 cents per ton, with a maximum of \$5 per car when the rate from Cowell to destination was \$1 per ton or less, and 20 cents per ton when the rate was in excess of \$1 per ton. The cement rates recommended in the decision became effective in connection with the Southern Pacific and Atchison, Topeka and Santa Fe on December 13, 1912, and interested carriers accepted the division of joint rates as set forth above, and this division is still being maintained by the federal controlled railroads.

The opinions and orders in the original cement cases, Nos. 232 and 233, were based upon the fact that the line carriers had created discriminatory situations by applying the main-line rates to cement plants located at Davenport, Napa Junction and San Juan on the rails of the Southern Pacific, and to Colton, located on the rails of The Atchison, Topeka and Santa Fe, but had refused to extend the same advantages to the cement shippers forwarding their products from Cowell over the

Bay Point and Clayton through Bay Point and from Cement over the rails of the Cement, Tolenas and Tidewater through Tolenas.

The following language is employed in Case No. 232, *supra*:

"We do not wish to be understood as claiming that carriers should always be required to extend their main line rates to branch lines which reach industries, nor do we wish to be understood as claiming that when rates are higher on a branch line involving additional movement than those in effect to a junction point, that discrimination must necessarily exist in favor of the shipper from the junction point. In other words, all of the circumstances as to character of the product, policy of the carrier elsewhere under like circumstances, etc., must be considered, and in the case now under consideration, where we are considering solely the rates on cement, to extend main line cement rates from junction point to some plants, and decline to do so for other plants, constitutes a discrimination which should be removed."

In Case No. 233, the Commission's position was restated:

"As was stated in Case No. 232, the Commission is of the opinion that large steam roads should not in all cases be required to give through route and joint rates with industrial or tap line roads but that each case coming before the Commission must be considered upon the merits of that particular case, and in granting the prayer of complainant in this case and ordering the defendant to publish through route and joint rates with complainants and intervenors on cement the opinion of the Commission is not based upon the right of complainants and intervenors to through route and joint rates by reason of the volume of the traffic other than the movement of cement, but upon the circumstances disclosed in the case relating to the charge of discrimination and the reasonableness of the rate, which we believe has been sustained."

It appears to me that if at this time an order were issued increasing the allowance to the Bay Point and Clayton Railroad on traffic moving in connection with the Oakland, Antioch and Eastern, a discrimination would immediately be created in favor of the Cowell Portland Cement Company, located at Cowell, as against the cement manufacturers shipping from Tolenas, Davenport, Napa Junction and San Juan to the competitive points reached direct by the Oakland, Antioch and Eastern, or through its connections.

Notwithstanding the fact that the Bay Point and Clayton Railroad is a common carrier and offers its services to the general public, the conditions are such that the service to the public is insignificant and, therefore, any additional revenue secured out of the joint rates for the transportation of cement from the Oakland, Antioch and Eastern and not also given manufacturers by the other connecting main-line carriers would be, to that extent, an advantage which the Cowell Portland Cement Company would have over its competitors shipping cement from other points.

There is testimony in the instant case to the effect that the Bay Point and Clayton Railroad now has an application before the United States Railroad Administration seeking to secure an increase in the division of the through rates on tonnage delivered to The Atchison, Topeka and Santa Fe and the Southern Pacific at Bay Point.

As outlined in our opinions and orders in Cases 232 and 233 (*supra*) carrier should not be permitted to maintain discriminatory or unreasonable adjustments as between the different competing cement manufacturers. The tonnage of cement delivered by the Bay Point and Clayton Railroad to The Atchison, Topeka and Santa Fe and Southern Pacific for interchange at Bay Point represents 97 per cent of the total cement shipped by rail from Cowell, the other 3 per cent passing to the Oakland, Antioch and Eastern at Clyde. By the increasing of the joint rates, the Bay Point and Clayton, as heretofore shown, is receiving 100 per cent increased revenue on 81 per cent of the tonnage delivered to the Oakland, Antioch and Eastern at Clyde. The same automatic adjustment has taken place in connection with the traffic delivered to the federal controlled railroads where the through rates have increased from \$1 or less per ton to more than \$1 per ton.

In prescribing the division of joint rates, the rights of all interested carriers should be considered, for each is entitled to a fair and equitable division of the revenue. It would appear, in a situation of this kind, that the proper procedure would first have been an action before the Interstate Commerce Commission to determine the divisions to be paid by the two federal controlled railroads, who are handling more than 97 per cent of the tonnage.

I am not convinced that applicant has demonstrated the necessity of a change in the divisions. There is no conclusive showing that the allowances to the Bay Point and Clayton are less than reasonable for the services performed, nor that any controlling changes, since our orders in Cases 232 and 233, have taken place in the handling of the cement between the plant and the junction points which would justify the increasing of the expense to the main-line carriers.

Upon this record, I do not find that the divisions of the joint rates, by which the Bay Point and Clayton Railroad receives from the Oakland, Antioch and Eastern Railway 10 cents per ton, with a minimum of \$5 per car, when the joint rate is \$1 per ton or less and 20 cents per ton when the joint rate is in excess of \$1 per ton, in effect at the time of the hearing, were unreasonable.

No payments have been received by the Oakland, Antioch and Eastern since the joint rates on cement were increased. It is entitled to divisions since that date on the basis outlined above. It is expected that the Bay Point and Clayton Railroad will promptly pay to the Oakland, Antioch and Eastern Railway the amount found due on the prepaid shipments which have moved since the joint rates were increased.

I recommend that the application be denied and submit the following form of order:

**ORDER.**

The Bay Point and Clayton Railroad Company, having applied to the Railroad Commission for an order changing the divisions of the earning applied to the joint commodity rates on cement to points located on the Oakland, Antioch and Eastern Railway, a hearing having been held, and it appearing to the Commission, as set forth in the preceding opinion, that the application should be denied,

*It is hereby ordered* that the application herein be, and it is hereby, denied.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this first day of August, 1919.

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DECISION No. 6542.

IN THE MATTER OF THE APPLICATION OF PACIFIC GAS AND ELECTRIC COMPANY, A CORPORATION, FOR AN ORDER APPROVING AND AUTHORIZING THE PLACING IN EFFECT OF ITS RULES AND REGULATIONS IN ACCORDANCE WITH WHICH ELECTRICITY WILL BE SUPPLIED IN THE TERRITORY SERVED BY IT.

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Application No. 1844.

Decided August 1, 1919.

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C. P. Cutton, for Applicant.

DEVLIN, *Commissioner*.

**OPINION.**

Pacific Gas and Electric Company, applicant herein, requested that the Railroad Commission approve a certain set of rules and regulations governing the furnishing of electric service and the sale and delivery of electric energy.

The rules and regulations set forth by applicant did not meet with this Commission's approval, and after a preliminary hearing applicant was directed to submit revised rules and regulations. Subsequent thereto, however, the Gas and Electric Division of this Commission prepared and submitted in evidence, proposed rules and regulations to govern applicant's electric service, which, with certain revisions and



changes thereafter made, are found to be just and reasonable rules and regulations for applicant to make effective on its system. These revised rules are set forth in the order herein.

In approving and ordering effective the rules as set forth in the order herein, I am mindful of the fact that any rules and regulations may prove entirely different as to their reasonableness, dependent upon the method of application. Rules and regulations, to be most effective, should not be too rigid but must, to a certain extent, be a statement of principles to be fairly followed. Arbitrarily applied, the rules and regulations may in some cases become overburdensome and unfair to the consumers, and again it is possible for certain consumers to take advantage of certain broad rules to the extent that an unfair burden is placed upon the company and its other consumers. In view of these possibilities, I recommend that the Commission approve and order effective these rules and regulations with the understanding that if, in practice and application, they do not work out fairly in all respects to either the utility or its consumers, that this Commission hereafter make such changes and amendments as may appear advisable.

I recommend the following form of order:

#### ORDER.

Pacific Gas and Electric Company having applied to the Railroad Commission for approval of certain rules and regulations governing electric service, and the Railroad Commission having found that said rules and regulations as a whole are not fair and reasonable rules and regulations and that the rules and regulations set forth in the order herein are fair and reasonable rules and regulations to govern the electric service of, and the sale and delivery of electric energy by, Pacific Gas and Electric Company to its consumers,

*It is hereby ordered* that the rules and regulations attached hereto and marked Exhibit "A" be established as the effective rules and regulations governing the electric service, and the delivery and sale of electric energy by Pacific Gas and Electric Company to its consumers, the same to become effective on and after the thirty-first day of August, 1919.

*It is hereby further ordered* that Pacific Gas and Electric Company file with the Railroad Commission said rules and regulations herein established on or before the thirty-first day of August, 1919.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this first day of August, 1919.

**Exhibit "A."****RULES AND REGULATIONS.****No. 1. NOTICE OF FILING OF RULES AND REGULATIONS.**

The following rules and regulations have been regularly filed with the Railroad Commission of the State of California and are the effective rules and regulations of this company:

No officer, inspector, solicitor, agent or employee of the company has any authority to waive, alter or amend in any respect these rules and regulations or any part thereof.

Rates, rules and regulations herein set forth are subject at all times to change or abolition, after proceedings duly had, by the Railroad Commission of the State of California or any other public authority having jurisdiction, and changes in the rules and regulations herein set forth must first be approved or accepted by the Railroad Commission of the State of California or other public authority having jurisdiction before they become effective.

**No. 2. CHARACTER OF SERVICE.***(a) Lighting, Heating, Cooking and Miscellaneous Service.*

Energy supplied for lighting, heating, cooking and miscellaneous uses will be single-phase, alternating current, two or three wire service, 110 and 220 volts except in a limited section of the city of San Francisco where energy supplied is direct current, two or three wire, 110 and 220 volts.

Residence and apartment lighting installations, not exceeding 3300 watts or 66 sockets will be supplied through a two-wire service at a nominal voltage of 115 volts. Installations exceeding 3300 watts or 66 sockets will be supplied through a three-wire service at a nominal voltage of 110-220 volts.

Business lighting installations not exceeding 2000 watts or 50 sockets will be through a two-wire service at a nominal voltage of 110 volts. Installations exceeding 2000 watts or 40 sockets will be supplied through a three-wire service at a nominal voltage of 110-220 volts.

Heating or cooking loads, X-ray apparatus, etc., not exceeding 2000 watts and where the maximum current does not exceed 30 amperes will be supplied through a two-wire service at a nominal voltage of 110 volts. Where the load exceeds 2000 watts and where the maximum current exceeds 30 amperes, service will be supplied through either a three-wire service at a nominal voltage of 110-220 volts or through a two-wire service at a nominal voltage of 220 volts.

Single stereopticons, outlets for battery charging, and other devices which are most economically operated at 110 volts, will be served at this voltage. Where more than one such device is installed in the same premises, they should be balanced as nearly as possible and will be supplied through a three-wire service at a nominal voltage of 110-220 volts.

In general, all electric welders or furnaces having a capacity of over two kilowatts, and X-ray apparatus consuming more than twenty (20) amperes, wireless telegraph coils, and other such devices will be supplied through a separate service from other load.

Certain rate schedules contain provisions for special types of service to which the above does not apply.

*(b) Alternating Current Power Service.*

Sixty-cycle alternating current energy will be supplied to all motor installations except where direct current energy is available, in which case the special conditions in each district will govern.

All motor installations of less than 6 horsepower capacity will be supplied with single-phase 220-volt energy only, except:

- (1) Motors of one-half horsepower capacity and smaller, which may be 110 volts.
- (2) Polyphase motor installations of 3 horsepower or more capacity may be served from existing secondary power circuits where only service wires and meters are required; provided, however, the company shall not be required to maintain three-phase services to an installation of less than 5 horsepower.

Motor installations of 5 horsepower or more capacity will be supplied with three-phase energy (two-phase in San Francisco only) except where service conditions make it necessary to supply single-phase energy only. Motor installations exceeding 10-horsepower capacity will not be supplied with single-phase energy.

Individual motor installations of a capacity of from 5 to 50 horsepower inclusive will be supplied at 220 volts only. Individual motor installations of more than 50-horsepower capacity will be supplied at 440 volts, except that in special cases higher voltage may be supplied upon approval of the company.

A group of motors each of less than 50 horsepower and of aggregate capacity of 150 horsepower or less will be supplied at 220 volts. Where the aggregate capacity exceeds 150 horsepower, service will be supplied at 440 volts.

(c) *Direct Current Power Service.*

A limited amount of direct current energy is available for motor service in limited portions of the following cities at the nominal voltage stated:

San Francisco	110 and 220 volts
Oakland	275 and 550 volts
San Jose	550 volts
Sacramento	550 volts

Direct current energy will be supplied where available under the following conditions:

(1) In San Francisco motors of  $\frac{1}{2}$ -horsepower capacity and less will be supplied at either 110 volts or 220 volts. Motors of more than  $\frac{1}{2}$ -horsepower capacity will be supplied at 220 volts only.

(2) In Oakland, San Jose and Sacramento, no motors of less than 1-horsepower capacity will be supplied with direct current energy and service will be supplied at the voltage available in these cities.

(d) *Motor Protection.*

The following protective apparatus shall be required on all alternating and direct current motors.

(1) Motors using rheostat, split-phase starting boxes, compensators, or similar starting devices to be provided with a no-voltage release which will automatically disconnect the motor from the source of supply.

(2) All motors whose voltage does not exceed 750 volts alternating or direct current, and whose capacity is not in excess of 100 horsepower are to be provided with approved fuses of proper rating. Where the voltage exceeds 750 volts or the capacity of a motor exceeds 100 horsepower, overload relay coils are to be provided. In such cases it will be found desirable to install a standard switch equipment. The installation of overload relays and no-voltage releases is recommended on all motors, not only as an additional protection, but as a means of reducing the cost of re-fusing.

(e) *Voltage.*

All voltages referred to above are nominal voltages and may vary somewhat, due to local conditions.

(f) *Miscellaneous.*

The company reserves the right to refuse to supply loads of a character that may seriously impair service to any other consumers. In the case of hoist or elevator motors, welding machines, furnaces, and other installations of like character where the use of electricity is intermittent or subject to violent fluctuations, the company may require the consumer to provide at his own expense suitable equipment to reasonably limit such fluctuations.

Suitable starting devices or apparatus to limit the starting current of same shall be provided for all motors.

The company shall not be required to furnish electric energy for the operation of any apparatus or appliances the operation of which will be detrimental to the service to other consumers in the immediate neighborhood, or supplied from the same distribution.

The company shall have the right to discontinue electric service to any consumer who shall continue to use appliances or apparatus detrimental to the service after being notified by the company of such detriment to the service.

**No. 3. APPLICATION FOR SERVICE.**

The company will require each prospective consumer to sign an application for the service desired, and also to establish his credit. Application must be made in writing to the local office of the company, or to a duly authorized agent or employee. Application for service shall set forth:

- (a) Location of premises;
- (b) Date applicant will be ready for service;
- (c) Whether the premises has been heretofore supplied;
- (d) Purpose for which service is to be used, with description of appliances;
- (e) Address to which bills are to be mailed or delivered;
- (f) Whether applicant is owner, agent or tenant of premises;
- (g) Rate schedule desired;
- (h) Such other information as the company may reasonably require.

The application is merely a written request for service, and does not in itself bind the company to serve except under reasonable conditions, nor does it bind the consumer to take service for a longer period than the minimum requirements of the rate.

**No. 4. CONTRACTS.**

Contracts will not be required as a condition precedent to service except:

- (a) As may be required by conditions set forth in the regular schedule of rates approved or accepted by the Railroad Commission of the State of California.
- (b) In the case of electric extensions or temporary service, in which case a contract will not be required for a period to exceed three years, except by special permission from the Railroad Commission of the State of California.

**No. 5. SPECIAL INFORMATION REQUIRED ON FORMS.****(a) Contracts.**

Each contract for electric service will contain the following provision:

"This contract shall at all times be subject to such changes or modifications by the Railroad Commission of California, as said Commission may, from time to time, direct in the exercise of its jurisdiction."

**(b) Bills.**

- (1) Each bill for electric service will contain on the face the following notation:  
"See other side for rules regarding payment of bills, disputed bills and discontinuance of service."

- (2) Each bill for electric service will contain on the back thereof a copy of Rules and Regulation No. 6 (b) (B), No. 9 (a) and No. 11.

**(c) Deposit Receipts.**

Each deposit receipt for electric service will contain the following:

"Please Note: This deposit less the amount of any unpaid electric bills will be refunded, together with any interest due, at 6 per cent per annum, upon discontinuance of service, or after the deposit has been held for 12 consecutive months, during which time continuous electric service has been received, and all bills for such service have been paid in accordance with the Rules and Regulations as approved by the Railroad Commission of the State of California. No interest will be paid if service is discontinued for any cause within less than 12 months from date of making deposit.

In order to secure the refund, this receipt should be endorsed by the consumer and returned to the company."

**No. 6 ESTABLISHMENT AND RE-ESTABLISHMENT OF CREDIT.**

Each applicant for service will be required to establish his credit to the satisfaction of the company before service will be rendered.

**(a) Establishment of Credit.**

The applicant's credit will be deemed established:

- (1) If applicant is the owner of the premises upon which the company is requested to furnish service, or is the owner of other real estate within the district of the company in which service is requested.

(2) If the applicant makes a cash deposit with the company to secure the payment of any bills for service to be furnished by the company under the application as provided in Rule and Regulation No. 7 herein contained.

(3) If the applicant furnishes a guarantor or bond satisfactory to the company for the payment to the company of bills of applicant for the service to be furnished by the company under the application.

(4) If the applicant has previously been a consumer of the company, and has paid all bills for electric service, on the average, within the period as set forth in Rule and Regulation No. 9 (a) for a period of 12 consecutive months immediately prior to the date when the applicant for service previously ceased to take service from the company, provided such service occurred within two years from date of the new application for service.

*(b) Re-establishment of Credit.*

(1) An applicant who has been an electric consumer of the company, and whose service has been discontinued for failure to pay his electric bills within the period as set forth in Rule and Regulation No. 9 (a), within the last 12 months of service may be required to re-establish his credit by making the regular cash deposit.

(2) A consumer who fails to pay bills as provided in Rule and Regulation No. 9 (a), and who further fails upon second notice of not less than five days to pay said bills in time required by the second notice may be required to pay said bills and to re-establish his credit by making a cash deposit with the company of an amount not to exceed a sum equal to twice the estimated average periodic bill for that service.

A consumer whose service has been disconnected for failure to pay bills as provided in Rule and Regulation No. 9 (a) may be required, before service is resumed, to re-establish his credit as provided in the preceding paragraph.

**No. 7. DEPOSITS.**

*(a) Residence or Domestic Service.*

The amount of the deposit to establish credit required of applicants to obtain electric service for residence or domestic purposes shall be \$2.50.

*(b) Other Classes of Service.*

The amount of the deposit to establish credit required of applicants to obtain electric service for all classes of service, other than residence or domestic service, shall not exceed a sum equal to twice the estimated average periodic bill for that service.

*(c) Re-establishment of Credit.*

The amount of the deposit to re-establish credit required for any class of electric service from an applicant for service as set forth in Rule and Regulation No. 6 (b) or from any consumer whose service has been discontinued for nonpayment of bills, or who has failed to pay bills upon second notice in time required by second notice which will not be less than five days, shall not exceed a sum equal to twice the estimated average periodic bill for that service.

**No. 8. RETURN OF DEPOSIT—INTEREST ON DEPOSIT.**

*(a) Return of Deposit.*

The company will notify the consumer that his deposit is subject to return and will refund the deposit (with interest as set forth under "b"), upon surrender to the company of the deposit receipt properly endorsed or upon signing a cancellation receipt for same.

(1) When the service is ordered discontinued by the consumer, except when there are charges due the company for electric service to the consumer, in which case the deposit will be applied to the charges and the excess portion of the deposit will be returned.

(2) When the consumer has received continuous service and has paid his electric bills on the average within the period as set forth in Rule and Regulation No. 9 (a) for a period of 12 consecutive months.

(b) *Interest on Deposit.*

Interest at the rate of 6 per cent per annum will be paid on deposit held by the company for the first 12 consecutive months during which time the consumer has received continuous electric service and has paid all bills for such electric service on the average within the period as set forth in Rule and Regulation No. 9 (a) and for such additional time thereafter as the company may hold the deposit, up to the date on which the consumer is notified that the deposit is subject to return.

No interest will be paid if service is discontinued for any cause within less than 12 months from date of making deposit.

**No. 9. DISCONTINUANCE OF SERVICE.**

(a) *Nonpayment of Bills.*

A consumer's electric service may be discontinued for the nonpayment of a bill for electric service rendered, provided that the bill has not been paid within

15 calendar days after presentation when bills are normally made out monthly.

7 calendar days after presentation when bills are normally made out fortnightly.

4 calendar days after presentation when bills are normally made out weekly.

And further provided that in case a deposit to guarantee bills has been made, the service will not be discontinued until the amount of the deposit has been fully absorbed.

A consumer's electric service may be discontinued for nonpayment of a bill for electric service rendered him at previous location served by the company, provided said bill is not paid within 30 days after presentation at the new location.

(b) *Unsafe Apparatus.*

The company shall have the right of refusing to or of ceasing to deliver electric energy to a consumer if any part of the consumer's lines, appliances, or apparatus shall at any time be unsafe, or if the utilization of electric energy by means thereof shall be prohibited or forbidden under the authority of any law of municipal ordinance or regulation (until such law, ordinance or regulation shall be declared invalid by a court of competent jurisdiction), and may refuse to serve until the consumer shall put such part in good and safe condition and comply with all the laws, ordinances and regulations applicable thereto.

The company does not assume the duty of inspecting the consumer's lines, appliances or apparatus or any part thereof and assumes no liability therefor. In the event that the consumer finds the electric service to be defective, the consumer is requested to immediately notify the company to this effect.

(c) *Fraud.*

The company shall have the right to refuse to serve electric energy to any premises and at any time to discontinue service if found necessary to do so in order to protect itself against abuse or fraud.

(d) *Noncompliance With the Company's Rules.*

If the consumer should fail to comply with any of the company's rules and regulations from time to time in force, the company will advise the consumer of such failure. If the consumer does not remedy same within a reasonable time, the company shall have the right, after giving due notice, to discontinue service to the consumer.

Except in cases of emergency, or as otherwise provided, the company will not discontinue the service of any consumer for violation of any rule and regulation except on written notice of at least five days, advising the consumer in what particular such rule and regulation has been violated for which service will be discontinued if the violation is not remedied. This notice may be waived in the event of discovery of a dangerous condition on a consumer's premises or in case of a consumer utilizing the service in such a manner as to make it dangerous for occupants of the premises, thus rendering the immediate discontinuance of service to the premises imperative.

(c) *Consumer About to Vacate Premises.*

Each consumer about to vacate any premises supplied with service by the company shall give written notice of his intended removal at least two (2) days prior thereto, specifying the date service is desired discontinued; otherwise, he will be held responsible for all electric energy furnished to such premises until the company shall have notice of such removal.

(f) *Usage of Service Detrimental to Other Consumers.*

The company will not furnish service to electrical apparatus or appliances, the operation of which will be detrimental to the electric service being furnished by the company to its other consumers in the immediate vicinity or supplied from the same distribution system, and the company will refuse to continue furnishing electric energy to any consumer who shall, after being notified by the company to discontinue the use of electric energy for such electrical apparatus or appliances, continue to so use the same.

#### **No. 10. RECONNECTION SERVICE CHARGE.**

A reconnection charge of \$1.00 may be made and collected by the company before service is renewed where service has been discontinued for nonpayment of bills as required by these rules and regulations, or to protect the company against fraud, or for failure to comply with the rules and regulations of the company.

#### **No. 11. DISPUTED BILLS.**

In case of a dispute between the consumer and the company as to the correct amount of any bill rendered by the company for electric service furnished to the consumer, the consumer shall be notified by the company to deposit with the Railroad Commission of the State of California the amount claimed by the company to be due. Upon receipt of said deposit, the Commission will investigate the facts and communicate its findings to the parties.

Failure on the part of the consumer to make such deposit within 15 days after written notice by the company that such deposit be made, or service may be discontinued, shall warrant the company in discontinuing the service to the consumer without further notice.

#### **No. 12. PAYMENT OF BILLS.**

Bills for electric service will be rendered according to registration of the meter at regular intervals, and are due and payable upon presentation. Payment shall be made at the office of the company, or, at the company's option, to duly authorized collectors of the company.

Removal bills, special bills, bills rendered on vacation of premises, or bills rendered to persons discontinuing the service, shall be paid on presentation. Bills for connection or reconnection of service, and payments for deposits or to reinstate deposits as required under the rules and regulations of the company, shall be paid before service will be connected or reconnected.

Wherever the company's rates include an annual minimum charge, said charge is to be payable in twelve (12) equal monthly installments throughout the year where service is not seasonal; where service is seasonal in nature, such as for agricultural, reclamation, wineries, etc., the minimum charge shall be due and payable in equal monthly installments during the normal period of use, unless otherwise specified on schedule.

Where the minimum is based on the maximum demand during the year the proportionate amount due and payable at the end of any month shall be based on the maximum demand which shall have occurred during the contract year up to that time.

#### **No. 13. METERS AND APPLIANCES.**

(a) *Meters and Appliances.*

All meters, service wires, appliances, fixtures, etc., installed by the company at its expense upon the consumer's premises for the purpose of delivering electric energy to the consumer shall continue to be the property of the company, and may be repaired, replaced or removed by the company at any time.

No rent or other charge whatsoever shall be made by the consumer against the company for placing or maintaining said meters, service wires, appliances, fixtures, etc., upon the consumer's premises. All meters shall be sealed by the company, and no such seal shall be tampered with or broken except by a representative of the company appointed for that purpose. The consumer shall exercise reasonable care to prevent the meters, regulators, service wires, appliances, fixtures, etc., of the company upon said premises from being injured or destroyed, and shall refrain from interfering with the same, and, in case any defect therein shall be discovered, shall notify the company thereof.

The company shall have the right to remove any and all of its facilities installed on consumer's premises at the termination of service.

*(b) Meter Installation.*

All meters shall be installed by the company in some convenient place approved by the company upon the consumer's premises, and so placed as to be at all times accessible for inspection, reading and testing.

In all buildings in which separate meters are hereafter required to be installed for various floors or groups of rooms in order to measure the electric energy supplied to each tenant, all meters shall be located at a central point, and each such meter shall be clearly marked to indicate the particular location supplied by it.

Master meters shall be furnished and installed by the company upon application by the owner, lessee or tenant of any building having five or more groups of rooms or floors which are rented and metered separately, provided that the company shall not be required to supply both master and submeters without receiving a reasonable rental charge for the latter in case electric energy is sold to the consumer through master meter to be resold by purchaser through submeters.

#### NO. 14. METER READING.

Meters will be read as nearly as possible at regular intervals, either once each month, fortnight or week, depending upon the conditions of service. Meter readings for domestic and residence service will be monthly. Due to Sundays and holidays, it is not always possible to read meters on the same date each month. Where, however, the monthly period is less than 27 days, or more than 33 days, a pro rata correction will be made.

Opening bills will be rendered for actual electric energy consumed where electric energy is used for less than a full month, but in no case will the charge be less than the pro rata of the minimum applicable to that service in question.

#### NO. 15. METER TESTS.

Any consumer may, upon not less than 5 days' notice, require the company to test his electric meter. No payment or deposit will be required from the consumer for such test except:

When a consumer whose average monthly bill for electric service is less than \$150.00 requests a meter test within six months after date of installation of the meter, or more often than once in six months thereafter, a deposit to cover the reasonable cost of the test will be required of the consumer, in accordance with the following:

*(a) Meter Installed Without Current or Potential Transformers.*

Size of meters.	Amount of deposit.
10 ampere or less-----	\$1 00
15 and 25 ampere-----	2 00
50 ampere and over-----	3 00

*(b) Meter Installed With Current Transformer or With Current and Potential Transformer.*

The amount of the deposit will be \$5.00.

The amount so deposited will be returned to the consumer if the meter is found, upon test, to register more than 2 per cent fast or slow under conditions of normal operation.



A consumer shall have the right to require the company to conduct the test in his presence, or if he so desires, in the presence of an expert or other representative appointed by him.

A report giving the name of the consumer requesting a test, the date of the request, the location of the premises where meter has been installed, the type, make, size and number of meter, the date of removal, the date tested, and the result of the test will be supplied to the consumer within a reasonable time after completion of the test.

All meters will be tested at the time of their installation, and no meter will be placed in service or allowed to remain in service which has an error in registration in excess of 2 per cent under conditions of normal operation.

#### **No. 16. ADJUSTMENT OF BILLS FOR METER ERROR.**

(a) When, as the result of any test, a meter is found to be more than 2 per cent fast, the company shall refund to the consumer the overcharge based on the corrected meter readings for the period in which the meter was in use, not exceeding six months, unless it can be shown that the error was due to some cause, the date of which can be fixed; in this case, the overcharge shall be computed back to, but not beyond such time.

(b) If, in the case of domestic or residential service, the meter upon test as herein provided is found not to register, or to register less than 75 per cent of the actual consumption, an average bill, or a bill for the electricity consumed, but not covered by the bills previously rendered for a period not to exceed three months, may be rendered to the consumer by the company, subject to review by the Commission.

(c) If a meter for commercial service, upon test as herein provided, is found to register more than 2 per cent slow, the company may render a bill for electricity consumed but not covered by bills previously rendered for a period not to exceed three months, subject to review by the Railroad Commission of the State of California; provided that if the actual period of error exceeds three months, and same can be definitely determined, the correction to be made, as herein provided, may cover such actual period, subject to the approval of the Railroad Commission.

#### **No. 17. READINGS OF SEPARATE METERS NOT COMBINED.**

For the purposes of making charges, all meters upon the consumer's premises will be considered separately, and the readings thereof will not be combined, except that where the company shall, for operating necessity, install upon the consumer's premises, in place of one meter, two or more meters, then the readings of such two or more meters will be combined for the purposes of making charges.

#### **No. 18. NOTICES.**

Any notice the company may give to any consumer supplied with electric energy by the company under and pursuant to the effective rules and regulations of the company may be given by written notice, either delivered at the address hereinafter described in this Rule and Regulation, or properly inclosed in a sealed envelope and deposited in any United States post office in the territory served by the company, postage prepaid, addressed to the consumer at the consumer's place of address specified in the consumer's application for electric service, or in the consumer's contract, in case such consumer has a contract for electric service, or at such address as may be subsequently given in writing therefor by the consumer to the company at its local district office.

Any notice from any consumer to the company under any of the company's schedules of rates, or under and pursuant to the effective rules and regulations of the company, may be given to the company by himself in person, or by an authorized agent at its local office in the district where service is rendered to the consumer, or by written notice properly inclosed in a sealed envelope and addressed to the company's local district office, postage prepaid, and deposited in any United States post office in the territory served by the company.

#### **No. 19. RATES AND OPTIONAL RATES.**

The rates to be charged by and paid to the company for electric service will be the rates legally in effect and on file with the Railroad Commission of the State of

California. Complete schedules of all rates legally in effect for any district will be kept at all times in the company's local office for that district, where they will be available for public inspection.

Where there are two or more rate schedules applicable to any class of service, the company or its authorized employees will call applicant's attention, at the time application is made, to the several schedules, and the consumer must designate which rate or schedule he desires.

In the event of the adoption by the company of new or optional schedules or rates, the company will take such measures as may be practicable to advise those of its consumers who may be affected that such new or optional rates are effective.

In the event that a consumer desires to take service under a different schedule than that under which he is being served, the change will become effective for service rendered after the next regular meter reading following the date of notice to the company, except, however, the company may not be required to make a change in schedule after the first change until 12 months of service has been rendered under the schedule then in effect, unless a new schedule is authorized, or unless his operating conditions have changed to warrant a change in schedule, except, however, in schedules with an annual minimum, in which case the change can only be made once in 12 months.

#### **No. 20. ELECTRIC EXTENSIONS.**

The company will be governed in the making of electric extensions by the rules of the Railroad Commission of the State of California in the territory where the Commission has jurisdiction.

#### **No. 21. ELECTRIC SERVICE CONNECTION.**

##### **(1) OVERHEAD SERVICE.**

Upon application by a bona fide applicant for service, the company will, at its own expense, furnish and install service wires from its pole line to the first approved point of permanent support, existing or proposed, on the consumer's premises, providing the company's pole line is located on the street, highway, lane or alley adjoining consumer's premises.

Should the length of service wires be such as to require one or more poles for support, the company will furnish and install at its own expense only that portion of the wires extending between its pole line and the first pole of the service.

The materials furnished by the company, at its own expense, in the construction of such service will at all times be and remain the sole property of the company, which will have the right, by its agents or employees, to enter upon the property of the applicant and remove such materials after the applicant shall cease taking service from the company. The materials furnished by the applicant in the construction of such extension will at all times be and remain the sole property of the applicant, but as long as such material shall be used by the company to furnish service to the consumer, the company will make all ordinary repairs thereon, and have sole control of the same.

##### **(2) UNDERGROUND SERVICE.**

Except in districts where underground construction is required by law, the company will not, at its own expense, furnish and install underground service from its overhead lines to the consumer's premises. If such underground service is required, the company will, at the consumer's request, furnish and install the same, but the cost thereof must be paid to the company by the consumer upon demand. If such underground service shall be furnished and installed by the consumer, the same shall be to the satisfaction and subject to the approval of the company's engineers.

In districts where underground construction is required by law, the company will extend at its own expense the service to the property lines of the consumer's premises nearest to the company's electric distributing system, but shall not be required at its own expense to extend the service on the consumer's premises.

##### **(3)**

The company will not be required to install more than one service either overhead or underground to any one building.

**No. 22. TEMPORARY SERVICE.**

Temporary service, as herein considered, refers to service to circuses, bazaars, fairs, temporary restaurants, construction works, etc., of a temporary nature.

The company will, if in its opinion the furnishing of such service will not work an undue hardship upon it or its then existing consumers, furnish temporary service under the following conditions:

(a) The applicant for such temporary service shall be required to pay to the company in advance or otherwise, as the company may elect, the net cost of installing and removing any facilities necessary in connection with furnishing of such service by the company.

(b) Each applicant for temporary service shall be required to deposit with the company a sum of money equal to the estimated amount of the company's bill for such service, or to otherwise secure, in a manner satisfactory to the company, the payment of any bills which may accrue by reason of such service so furnished or supplied.

(c) Nothing in this rule and regulation shall be construed as limiting or in any way affecting the right of the company to collect from the consumer any other or additional sum of money which may become due and payable to the company from the consumer by reason of the temporary service furnished or to be furnished hereunder.

**No. 23. SHORTAGE OF ELECTRIC SUPPLY AND INTERRUPTION OF DELIVERY.**

The company will exercise reasonable diligence and care to furnish and deliver a continuous and sufficient supply of electric energy to the consumer, and to avoid any shortage or interruption of delivery of same. The company will not be liable for interruption or shortage or insufficiency of supply, or any loss or damage occasioned thereby, if same is caused by inevitable accident, act of God, fire, strikes, riots, war, or any other cause not within its control.

The company, whenever it shall find it necessary for the purpose of making repairs or improvements to its system, will have the right to suspend temporarily the delivery of electric energy, but in all such cases, as reasonable notice thereof as circumstances will permit will be given to the consumers, and the making of such repairs or improvements will be prosecuted as rapidly as may be practicable, and, if practicable, at such times as will cause the least inconvenience to the consumers.

In case of shortage of supply, the company shall have the right to give preference in the matter of furnishing electric service to the United States and the State of California, and cities, cities and counties, counties and towns, their inhabitants for lighting and for public purposes and to other public utilities and those engaged in public or quasipublic service if necessary.

**No. 24. SUPPLY TO SEPARATE PREMISES AND RESALE OF ELECTRIC ENERGY.**

Where the company has adequate service facilities to supply separate premises, such separate premises, even though owned by the same consumer, will not be supplied with electric energy through the same meter.

Unless specially agreed upon, the consumer shall not resell any of the electric energy received by him from the company to any other person, or for any other purpose, on other premises than specified in his application for service.

**No. 25. COMPANY'S RIGHT OF INGRESS TO AND EGRESS FROM CONSUMER'S PREMISES.**

The company shall at all times have the right of ingress to and egress from the consumer's premises at all reasonable hours for any purpose reasonably connected with the furnishing of electric energy and the exercise of any and all rights secured to it by law, or these rules and regulations.

As provided for in the rules and regulations herein contained, the company shall have the right to remove any and all of its property installed on the consumer's premises at the termination of service.

**No. 26. CONSUMER RESPONSIBLE FOR EQUIPMENT FOR RECEIVING ELECTRIC ENERGY.**

The consumer shall, at his own risk and expense, furnish, install and keep in good and safe condition all electrical wires, lines, machinery and apparatus, which may be required for receiving electric energy from the company, and for applying and utilizing such energy, including all necessary protective appliances and suitable building therefor, and the company shall not be responsible for any loss or damage occasioned or caused by the negligence, want of proper care, or wrongful act of the consumer or of any of his agents, employees or licensees on the part of consumer in installing, maintaining, using, operating or interfering with any such wires, lines, machinery or apparatus.

**No. 27. SERVICE CONNECTIONS MADE BY COMPANY'S EMPLOYEES.**

Only duly authorized employees of the company are allowed to connect the consumer's service to, or disconnect the same from, the company's electric lines.

**No. 28. COMPENSATION TO COMPANY'S EMPLOYEES.**

All inspectors, agents and employees of the company are strictly forbidden to demand or accept any personal compensation for services rendered to a consumer.

**No. 29. CHANGE OF CONSUMER'S APPARATUS OR EQUIPMENT.**

In the event that the consumer shall make any material change either in the amount or character of the electrical lamps, appliances or apparatus installed upon his premises to be supplied with electric energy by the company, the consumer shall immediately give the company written notice to this fact.

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**Decision No. 6543.**

**IN THE MATTER OF THE APPLICATION OF PACIFIC GAS AND ELECTRIC COMPANY, A CORPORATION, FOR AN ORDER APPROVING AND AUTHORIZING THE PLACING IN EFFECT OF ITS RULES AND REGULATIONS IN ACCORDANCE WITH WHICH GAS WILL BE SUPPLIED IN THE TERRITORY SERVED BY IT.**

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Application No. 1845.

Decided August 1, 1919.

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*C. P. Cutten, for Applicant.*

*DEVLIN, Commissioner.*

**OPINION.**

Pacific Gas and Electric Company, applicant herein, requested that the Railroad Commission approve a certain set of rules and regulations governing the furnishing of gas service.

The rules and regulations set forth by applicant did not meet with this Commission's approval, and after a preliminary hearing applicant was directed to submit revised rules and regulations. Subsequent thereto, however, the Gas and Electric Division of this Commission prepared and submitted in evidence, proposed rules and regulations to

govern applicant's gas service, which, with certain revisions and changes thereafter made, are found to be just and reasonable rules and regulations for applicant to make effective on its system. These revised rules are set forth in the order herein.

In approving and ordering effective the rules as set forth in the order herein, I am mindful of the fact that any rules and regulations may prove entirely different as to their reasonableness, dependent upon the method of application. Rules and regulations, to be most effective, should not be too rigid but must, to a certain extent, be a statement of principles to be fairly followed. Arbitrarily applied, the rules and regulations may in some cases become overburdensome and unfair to the consumers, and again it is possible for certain consumers to take advantage of certain broad rules to the extent that an unfair burden is placed upon the company and its other consumers. In view of these possibilities I recommend that the Commission approve and order effective these rules and regulations with the understanding that if, in practice and application, they do not work out fairly in all respects to either the utility or its consumers, that this Commission hereafter make such changes and amendments as may appear advisable.

I recommend the following form of order:

#### ORDER.

Pacific Gas and Electric Company having applied to the Railroad Commission for approval of certain rules and regulations governing gas service, and the Railroad Commission having found that said rules and regulations as a whole are not fair and reasonable rules and regulations and that the rules and regulations set forth in the order herein are fair and reasonable rules and regulations to govern the gas service of Pacific Gas and Electric Company to its consumers,

*It is hereby ordered* that the rules and regulations attached hereto and marked Exhibit "A" be established as the effective rules and regulations governing the gas service of Pacific Gas and Electric Company to its consumers, the same to become effective on and after the thirty-first day of August, 1919.

*It is hereby further ordered* that Pacific Gas and Electric Company file with the Railroad Commission said rules and regulations herein established on or before the thirty-first day of August, 1919.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this first day of August, 1919.

**Exhibit "A."****RULES AND REGULATIONS.****No. 1. NOTICE OF FILING OF RULES AND REGULATIONS.**

The following rules and regulations have been regularly filed with the Railroad Commission of the State of California and are the effective rules and regulations of this company.

No officer, inspector, solicitor, agent or employee of the company has any authority to waive, alter or amend in any respect these rules and regulations or any part thereof.

Rates, rules and regulations herein set forth are subject at all times to change or abolition, after proceedings duly had, by the Railroad Commission of the State of California or any other public authority having jurisdiction, and changes in the rules and regulations herein set forth must first be approved or accepted by the Railroad Commission of the State of California or other public authority having jurisdiction before they become effective.

**No. 2. CHARACTER OF SERVICE.**

The gas supplied by this company in the several districts will be of the heating quality required by the Railroad Commission of the State of California or other public authority having jurisdiction applicable to the district supplied. The pressure at which gas is delivered will be in accordance with the standard of gas service of the Railroad Commission, or other public authority having jurisdiction unless otherwise specified.

**No. 3. APPLICATION FOR SERVICE.**

The company will require each prospective consumer to sign an application for the service desired, and also establish his credit. Application will normally be made in writing at the local office of the company or to a duly authorized agent or employee.

Application for service shall set forth:

- (a) Location of premises;
- (b) Date applicant will be ready for service;
- (c) Whether the premises has been heretofore supplied;
- (d) Purpose for which service is to be used, with description of appliances;
- (e) Address to which bills are to be mailed or delivered;
- (f) Whether applicant is owner, agent or tenant of premises;
- (g) Rate schedule desired;
- (h) Such other information as the company may reasonably require.

The application is merely a written request for service, and does not in itself bind the company to serve except under reasonable conditions, nor does it bind the consumer to take service for a longer period than the minimum requirements of the rate.

**No. 4. CONTRACTS.**

Contracts will not be required as a condition precedent to service except:

- (a) As may be required by conditions set forth in the regular schedule of rates, approved or accepted by the Railroad Commission of the State of California.
- (b) In the case of gas main extensions or temporary service when a contract will not be required for a period to exceed three years, except by special permission from the Railroad Commission of the State of California.

**No. 5. SPECIAL INFORMATION REQUIRED ON FORMS.****(a) Contracts.**

Each contract form for gas service will contain the following provisions:

"This contract shall at all times be subject to such changes or modifications by the Railroad Commission of California as said Commission may from time to time direct in the exercise of its jurisdiction."

*(b) Bills.*

(1) Each bill for gas service will contain on the face thereof the following notation:

"See other side for rules regarding payment of bills, disputed bills and discontinuance of service."

(2) Each bill for gas service will contain on the back thereof a copy of Rule and Regulation No. 6 (b) (2), No. 9 (a) and No. 11.

*(c) Deposit Receipts.*

Each deposit receipt for gas service will contain the following:

"Please note:

"This deposit less the amount of any unpaid gas bills will be refunded, together with any interest due, at 6 per cent per annum, upon discontinuance of service, or after the deposit has been held for 12 consecutive months, during which time continuous gas service has been received and all bills for such service have been paid in accordance with the Rules and Regulations as approved by the Railroad Commission of the State of California.

"No interest will be paid if service is discontinued for any cause within less than 12 months from date of making deposit.

"In order to secure the refund, this receipt should be endorsed by the consumer and returned to the company."

**No. 6. ESTABLISHMENT AND RE-ESTABLISHMENT OF CREDIT.**

Each applicant for service will be required to establish or re-establish his credit to the satisfaction of the company before service will be rendered.

*(a) Establishment of Credit.*

The applicant's credit will be deemed established:

(1) If applicant is the owner of the premises upon which the company is requested to furnish service, or is the owner of other real estate within the district of the company in which service is requested.

(2) If the applicant makes a cash deposit with the company to secure the payment of any bills for service to be furnished by the company under the application as provided in Rule and Regulation No. 7 herein contained.

(3) If the applicant furnishes a guarantor or bond satisfactory to the company for the payment to the company of bills of applicant for the service to be furnished by the company under the application.

(4) If the applicant has previously been a consumer of the company and has paid all bills for gas service, on the average, within the period as set forth in Rule and Regulation No. 9 (a) for a period of 12 consecutive months immediately prior to the date when the applicant for service previously ceased to take service from the company, provided such service occurred within two years from date of the new application for service.

*(b) Re-establishment of Credit.*

(1) An applicant who has been a gas consumer of the company, and whose service has been discontinued for failure to pay his gas bills within the period as set forth in Rule and Regulation No. 9 (a) within the last 12 months of service may be required to re-establish his credit by making the regular cash deposit.

(2) A consumer who fails to pay bills as provided in Rule and Regulation No. 9 (a) and who, further, fails upon second notice of not less than 5 days to pay said bills in time required by the second notice, may be required to pay said bills and to re-establish his credit by making a cash deposit with the company of an amount not to exceed a sum equal to twice the estimated average periodic bill for that service.

A consumer whose service has been discontinued for failure to pay bills as provided in Rule and Regulation No. 9 (a) may be required, before service is resumed to re-establish his credit as provided in the preceding paragraph.

**No. 7. DEPOSITS.***(a) Residence or Domestic Service.*

The amount of the deposit to establish credit required of applicants to obtain gas service for residence or domestic purposes will be \$2.50.

*(b) Other Classes of Service.*

The amount of the deposit to establish credit required of applicants to obtain gas service for all classes of service, other than residence or domestic service, will not exceed a sum equal to twice the estimated average periodic bill for that service.

*(c) Re-establishment of Credit.*

The amount of the deposit to re-establish credit required for any class of gas service from an applicant for service as set forth in Rule and Regulation No. 6 (*b*), or from any consumer whose service has been discontinued for nonpayment of bills, or who has failed to pay bills upon second notice in time required by second notice which will not be less than 5 days, shall not exceed a sum equal to twice the estimated average periodic bill for that service.

**No. 8. RETURN OF DEPOSIT—INTEREST ON DEPOSIT.**

*(a) Return of Deposit.*

The company will notify the consumer that his deposit is subject to return, and will refund the deposit (with interest as set forth under "*b*") upon surrender to the company of the deposit receipt properly endorsed, or upon signing a cancellation receipt for same—

(1) When the service is ordered discontinued by the consumer except when there are charges due the company for gas service to the consumer, in which case the deposit will be applied to the charges and the excess portion of the deposit will be returned.

(2) When the consumer has received continuous service and has paid gas bills on the average within the period as set forth under Rule and Regulation No. 9 (*a*) for a period of 12 consecutive months.

*(b) Interest on Deposit.*

Interest at the rate of 6 per cent per annum will be paid on deposit held by the company for the first 12 consecutive months during which time the consumer has received continuous gas service and has paid all bills for such gas service on the average within the period as set forth in Rule and Regulation No. 9 (*a*), and for such additional time thereafter as the company may hold the deposit, up to the date on which the consumer is notified that the deposit is subject to return.

No interest will be paid if service is discontinued for any cause within less than 12 months from date of making deposit.

**No. 9. DISCONTINUANCE OF SERVICE.**

*(a) Non-Payment of Bills.*

A consumer's gas service may be discontinued for the nonpayment of a bill for gas service rendered, provided that the bill has not been paid within—

15 calendar days after presentation where bills are normally made out monthly.

7 calendar days after presentation where bills are normally made out fortnightly.

4 calendar days after presentation where bills are normally made out weekly.

And further provided that in case a deposit to guarantee bills has been made, the service will not be discontinued until the amount of the deposit has been fully absorbed.

A consumer's gas service may be discontinued for nonpayment of a bill for gas service rendered him at a previous location served by the company, provided said bill is not paid within 30 days after presentation at the new location.

*(b) Unsafe Apparatus.*

The company shall have the right of refusing to or of ceasing to deliver gas to a consumer if any part of the consumer's service, appliances, or apparatus shall at any time be unsafe, or if the utilization of gas by means thereof shall be prohibited or forbidden under the authority of any law or municipal ordinance or regulation (until such law, ordinance or regulation shall be declared invalid by a court of competent jurisdiction), and may refuse to serve until the consumer shall put such part in good and safe condition and comply with all laws, ordinances and regulations applicable thereto.



The company does not assume the duty of inspecting the consumer's services, appliances or apparatus or any part thereof, and assumes no liability therefor. In the event that the consumer finds the gas service to be defective, the consumer is requested to immediately notify the company to this effect.

*(c) Fraud.*

The company shall have the right to refuse to serve gas on any premises and at any time to discontinue service if found necessary to do so in order to protect itself against abuse or fraud.

*(d) Noncompliance with Company's Rules.*

If the consumer should fail to comply with any of the company's rules and regulations from time to time in force, the company will advise the consumer of such failure. If the consumer does not remedy same within a reasonable time, the company shall have the right, after giving due notice, to discontinue service to the consumer.

Except in cases of emergency, or as otherwise provided, the company will not discontinue the service of any consumer for violation of any rule and regulation except on written notice of at least 5 days, advising the consumer in what particular such rule and regulation has been violated for which service will be discontinued if the violation is not remedied. This notice may be waived in the event of discovery of a dangerous condition on a consumer's premises, or in case of a consumer utilizing the service in such a manner as to make it dangerous for occupants of the premises, thus rendering the immediate discontinuance of service to the premises imperative.

*(e) Consumer About to Vacate Premises.*

Each consumer about to vacate any premises supplied with service by the company shall give written notice of his intended removal at least two (2) days prior thereto, specifying the date service is desired discontinued; otherwise he will be held responsible for all gas furnished to such premises until the company shall have notice of such removal.

*(f) Usage of Service Detrimental to Other Consumers.*

The company will not furnish service to gas apparatus or appliances, the operation of which will be detrimental to the gas service being furnished by the company to its other consumers in the immediate vicinity or supplied from the same distribution system, and the company will refuse to continue furnishing gas to any consumer who shall, after being notified by the company to discontinue the use of gas for such apparatus or appliances, continue to so use the same.

#### **No. 10. RECONNECTION SERVICE CHARGE.**

A reconnection charge of \$1.00 may be made and collected by the company before service is renewed where service has been discontinued for non-payment of bills as required by these rules and regulations, or to protect the company against fraud, or for failure to comply with the rules and regulations of the company.

#### **No. 11. DISPUTED BILLS.**

In case of a dispute between a consumer and the company as to the correct amount of any bill rendered by the company for gas service furnished to the consumer, the consumer will be notified by the company to deposit with the Railroad Commission of the State of California the amount claimed by the company to be due. Upon receipt of said deposit the Commission will investigate the facts and communicate its findings to the parties.

Failure on the part of the consumer to make such deposit within 15 days after written notice by the company that such deposit be made or service may be discontinued, shall warrant the company in discontinuing the service to the consumer without further notice.

#### **No. 12. PAYMENT OF BILLS.**

Bills for gas service will be rendered according to registration of the meter at regular intervals, and are due and payable upon presentation. Payment shall be made at the office of the company, or at the company's option, to duly authorized collectors of the company.

Removal bills, special bills, bills rendered on vacation of premises, or bills rendered to persons discontinuing the service, shall be paid on presentation. Bills for connection or reconnection of service and payments for deposits or to reinstate deposits as required under the rules and regulations of the company shall be paid before service will be connected or reconnected.

### No. 13. METERS AND APPLIANCES.

#### (a) *Meters and Appliances.*

All meters, regulators, service pipe, appliances, fixtures, etc., installed by the company at its expense upon the consumer's premises for the purpose of delivering gas to the consumer shall continue to be the property of the company, and may be repaired, replaced or removed by the company at any time.

No rent or other charge whatsoever will be made by the consumer against the company for placing or maintaining said meters, regulators, service pipe, appliances, fixtures, etc., upon the consumer's premises. All meters will be sealed or soldered by the company, and no such seal or solder shall be tampered with or broken except by a representative of the company appointed for that purpose. The consumer shall exercise reasonable care to prevent the meters, regulators, service pipe, appliances, fixtures, etc., of the company upon said premises from being injured or destroyed and shall refrain from interfering with the same, and, in case any defect therein shall be discovered, shall notify the company thereof.

The company shall have the right to remove any and all of its facilities installed on consumer's premises at the termination of service.

#### (b) *Meter Installation.*

All meters will be installed by the company in some convenient place approved by the company upon the consumer's premises, and so placed as to be at all times accessible for inspection, reading and testing.

In all buildings in which separate meters are hereafter required to be installed for various floors or groups of rooms in order to measure the gas supply to each tenant, all meters will be located at a central point, and each such meter will be clearly marked to indicate the particular location supplied by it.

Master meters will be furnished and installed by the company upon application by the owner, lessees or tenant of any building having five or more groups of rooms or floors which are rented and metered separately, provided that the company shall not be required to supply both master and submeters without receiving a reasonable rental charge for the latter in case gas is sold to the consumer through master-meter to be resold by purchaser through submeters.

### No. 14. METER READING.

Meters will be read as nearly as possible at regular intervals, either once each month, fortnight or week, depending upon the conditions of service. Meter readings for domestic and residence service will be monthly. Due to Sundays and holidays it is not always possible to read meters on the same date each month. Where, however, the monthly period is less than 27 days or more than 33 days a pro rata correction will be made.

Opening bills will be rendered for actual gas consumed where gas is used for less than a full month, but in no case will the charge be less than the pro rata of the minimum applicable to that service in question.

### No. 15. METER TESTS.

Any consumer may, upon not less than five days' notice, require the company to test his gas meter. No deposit or payment will be required from the consumer for such test except—

When a consumer whose average monthly bill for gas service is less than \$50.00 requests a meter test within six months after date of installation of the meter or more often than once in six months thereafter, a deposit to cover the reasonable cost of the test will be required of the consumer in accordance with the following:

Equivalent Meter Capacity.	Amount of Deposit.
10 light or less.....	\$1 00
20 to 45 light.....	2 00
All over 45 light.....	4 00

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And the amount so deposited will be returned to the consumer if the meter is found, upon test, to register more than 2 per cent fast or slow under conditions of normal operation.

Meter tests will be conducted in accordance with the gas standard requirements of the Railroad Commission of the State of California.

A consumer shall have the right to require the company to conduct the test in his presence, or if he so desires, in the presence of an expert or other representative appointed by him.

A report giving the name of the consumer requesting a test, the date of the request, the location of the premises where meter has been installed, the type, make, size and number of meter, the date of removal, the date tested, and the result of the test will be supplied to the consumer within a reasonable time after completion of the test.

All meters will be tested at the time of their installation and no meter will be placed in service or allowed to remain in service, which has an error in registration in excess of 2 per cent under conditions of normal operation.

#### **No. 16. ADJUSTMENT OF BILLS FOR METER ERROR.**

(a) When, as the result of any test, a meter is found to be more than 2 per cent fast, the company shall refund to the consumer the overcharge, based on the corrected meter readings for the period in which the meter was in use, not exceeding six months, unless it can be shown that the error was due to some cause, the date of which can be fixed. In this case the overcharge shall be computed back to, but not beyond, such time.

(b) If, in the case of domestic or residential service, the meter upon test as herein provided is found not to register, or to register less than 75 per cent of the actual consumption, an average bill or a bill for the gas consumed, but not covered by the bills previously rendered for a period not to exceed three months, may be rendered to the consumer by the company, subject to review by the Railroad Commission.

(c) If a meter for commercial service, upon test, as herein provided, is found to register more than 2 per cent slow, the company may render a bill for gas consumed but not covered by bills previously rendered for a period not to exceed three months, subject to review by the Railroad Commission of the State of California, provided that if the actual period of error exceeds three months and same can be definitely determined, the correction to be made as herein provided may cover such actual period, subject to the approval of the Railroad Commission.

#### **No. 17. READINGS OF SEPARATE METERS NOT COMBINED.**

For the purpose of making charges, all meters upon the consumer's premises will be considered separately, and the readings thereof will not be combined, except that where the company shall, for operating necessity, install upon the consumer's premises, in place of one meter, two or more meters, then the readings of such two or more meters will be combined for the purpose of making charges.

#### **No. 18. NOTICES.**

Any notice the company may give to any consumer supplied with gas by said company under and pursuant to the effective rules and regulations of the company may be given by written notice either delivered at the address hereinafter described in this Rule and Regulation, or properly enclosed in a sealed envelope and deposited in any United States post office in the territory served by the company, postage prepaid, addressed to the consumer at the consumer's place of address specified in the consumer's application for service of gas, or in the consumer's contract in case such consumer has a contract for gas service, or at such address as may be subsequently given in writing therefor by the consumer to the company at its local district office.

Any notice from any consumer to the company under any of the company's schedules of rates, or under and pursuant to the effective rules and regulations of the company may be given to the company by himself in person, or by an authorized agent at its local office in this district where service is rendered to the consumer, or by written notice properly enclosed in a sealed envelope and addressed to the company's local district office, postage prepaid, and deposited in any United States post office in the territory served by the company.

**No. 19. RATES AND OPTIONAL RATES.**

The rates to be charged by and paid to the company for gas service will be the rates legally in effect and on file with the Railroad Commission of the State of California. Complete schedules of all rates legally in effect for any district will be kept at all times in the company's local offices for that district, where they will be available for public inspection.

Where there are two or more rate schedules applicable to any class of service, the company or its authorized employees will call applicant's attention, at the time application is made, to the several schedules, and the consumer must designate which rate or schedule he desires.

In the event of the adoption by the company of new or optional schedules or rates, the company will take such measures as may be practicable to advise those of its consumers who may be affected that such new or optional rates are effective.

In the event that a consumer desires to take service under a different schedule than that under which he is being served, the change will become effective for service rendered after the next regular meter reading following the date of notice to the company.

**No. 20. GAS MAIN EXTENSIONS.**

The company will be governed in the making of gas main extensions by the rules of the Railroad Commission of the State of California in the territory where that Commission has jurisdiction.

**No. 21. EXTENSION OF GAS SERVICE: COST AND OWNERSHIP ON PRIVATE PROPERTY.**

Upon application by a bona fide applicant for service, the company will, at its own expense, furnish and install a service pipe of suitable capacity from its gas main to the property line of property abutting upon any public street, highway, alley, lane or road along which it already has or will install street mains, and will install, at its own expense, a further extension of 50 feet on the private property or as much of such 50 feet as may be necessary. The company will install that portion of each service in excess of the 50 feet inside of property line, the expense of same to be paid by the consumer.

The materials furnished by the company, at its own expense, in the construction of such service extension will at all times be and remain the sole property of the company, which will have the right, by its agents or employees, to enter upon the property of the applicant and remove such materials after the applicant shall cease taking service from the company. The materials furnished by the applicant in the construction of such extension will at all times be and remain the sole property of the applicant, but as long as such extension shall be used by the company to furnish service to the consumer, the company will make all ordinary repairs thereon, and have sole control of the same.

**No. 22. TEMPORARY SERVICE.**

Temporary service, as herein considered, refers to service to circuses, bazaars, fairs, temporary restaurants, construction works, etc., of a temporary nature.

The company will, if in its opinion the furnishing of such service will not work an undue hardship upon it or its then existing consumers, furnish temporary service under the following conditions:

(a) The applicant for such temporary service shall be required to pay to the company in advance or otherwise, as the company may elect, the net cost of installing and removing any facilities necessary in connection with furnishing of such service by the company.

(b) Each applicant for temporary service shall be required to deposit with the company a sum of money equal to the estimated amount of the company's bill for such service, or to otherwise secure, in a manner satisfactory to the company, the payment of any bills which may accrue by reason of such service so furnished or supplied.

(c) Nothing in this rule and regulation shall be construed as limiting or in any way affecting the right of the company to collect from the consumer any other or additional sum of money which may become due and payable to the company from the consumer by reason of the temporary service furnished or to be furnished hereunder.

**No. 23. SHORTAGE OF GAS SUPPLY AND INTERRUPTION OF DELIVERY.**

The company will exercise reasonable diligence and care to furnish and deliver a continuous and sufficient supply of gas to the consumer, and to avoid any shortage or interruption of delivery of same. The company will not be liable for interruption or shortage or insufficiency of supply, or any loss or damage occasioned thereby, if same is caused by inevitable accident, act of God, fire, strikes, riots, war, or any other cause not within its control.

The company, whenever it shall find it necessary for the purpose of making repairs or improvements to its system, will have the right to suspend temporarily the delivery of gas, but in all such cases, as reasonable notice thereof as circumstances will permit, will be given to the consumers, and the making of such repairs or improvements will be prosecuted as rapidly as may be practicable, and, if practicable, at such times as will cause the least inconvenience to the consumers.

In case of shortage of supply, the company will have the right to give preference in the matter of furnishing gas to the United States and the State of California, and cities, cities and counties, counties and towns, their inhabitants for lighting and for public purposes, and to other public utilities and those engaged in public or quasipublic service, if necessary.

**No. 24. SUPPLY TO SEPARATE PREMISES AND RESALE OF GAS.**

Where the company has adequate service facilities to supply separate premises, such separate premises, even though owned by the same consumer, will not be supplied with gas through the same meter.

Unless especially agreed upon, the consumer shall not resell any of the gas received by him from the company to any other person or for any other purpose, on other premises than specified in his application for service.

**No. 25. COMPANY'S RIGHT OF INGRESS TO AND EGRESS FROM CONSUMER'S PREMISES.**

The company will at all times have the right of ingress to and egress from the consumer's premises at all reasonable hours for any purpose reasonably connected with the furnishing of gas, and the exercise of any and all rights secured to it by law, or these Rules and Regulations.

As provided for in the Rules and Regulations herein contained, the company shall have the right to remove any and all of its property installed on the consumer's premises at the termination of service.

**No. 26. CONSUMER RESPONSIBLE FOR EQUIPMENT FOR RECEIVING GAS.**

The consumer shall, at his own risk and expense, furnish, install and keep in good and safe condition all regulators, gas mains, appliances, fixtures and apparatus, which may be required for receiving gas from the company, and for applying and utilizing such gas, including all necessary protective appliances and suitable building therefor, and the company shall not be responsible for any loss or damage occasioned or caused by the negligence, want of proper care, or wrongful act of the consumer or of any of his agents, employees or licensees on the part of customer in installing, maintaining, using, operating or interfering with any such regulators, service pipes, gas mains, appliances, fixtures or apparatus.

**No. 27. SERVICE CONNECTIONS MADE BY COMPANY'S EMPLOYEES.**

Only duly authorized employees of the company are allowed to connect the consumer's service to, or disconnect the same from, the company's gas mains.

**No. 28. COMPENSATION TO COMPANY'S EMPLOYEES.**

All inspectors, agents and employees of the company are strictly forbidden to demand or accept any personal compensation for services rendered to a consumer.

**No. 29. CHANGE OF CONSUMER'S APPARATUS OR EQUIPMENT.**

In the event that the consumer shall make any material change, either in the amount or character of the gas appliances or apparatus installed upon his premises, to be supplied with gas by the company, the consumer shall immediately give the company written notice of this fact.

## DECISION No. 6544.

IN THE MATTER OF THE APPLICATION OF SOUTHERN CALIFORNIA EDISON COMPANY, A CORPORATION, FOR AN ORDER OF THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA, AUTHORIZING IT TO ISSUE, SELL AND DELIVER TWENTY-FIVE THOUSAND SHARES OF ITS COMMON CAPITAL STOCK OF THE PAR VALUE OF ONE HUNDRED DOLLARS EACH.

Application No. 4790.

Decided August 7, 1919.

Applicant authorized to issue \$2,500,000 par value of its common capital stock to be sold at not less than 90, proceeds thereof to be deposited in applicant's treasury and expended only for purposes hereinafter authorized by supplemental orders.

*Roy V. Reppy*, for Applicant.

*Harry J. Bauer*, of Counsel.

EDGERTON, *Commissioner*.

## OPINION.

Southern California Edison Company asks permission to issue and sell at not less than \$90 per share, 25,000 shares (\$2,500,000) of its common capital stock. This stock applicant intends to first offer to its stockholders pro rata in proportion to the respective holdings of each, and such stock not taken by said stockholders to be offered for sale to the public.

Applicant reports stock outstanding as of June 30, 1919, as follows:

First preferred stock-----	\$4,000,000 00
Second preferred stock-----	12,020,900 00
Common stock -----	24,456,500 00
Subscribed common -----	1,964,000 00
	<hr/>
	\$42,450,400 00

Of the common stock, \$10,836,628 is the amount controlled by company through ownership of Pacific Light and Power Corporation, leaving net outstanding, \$13,619,872.

In its petition herein, the company states that the cost of its operative property as of May 31, 1919, is \$77,010,860.09.

The testimony of Mr. R. H. Bellard, first vice president of Southern California Edison Company, shows that applicant has a contemplated construction program for the next three years, involving a cost of approximately \$20,000,000. This program includes the building of a hydroelectric plant on Kern River, generating station on Big Creek, and general construction of substations, transformers, etc. The increased demand for power is responsible for the necessity of this construction work. At the present time, however, the company is unable to advise the Commission as to the specific purpose for which it intends to expend the proceeds realized from the sale of the stock,

or to give any detailed list or description of property to be acquired or of extensions or improvements contemplated. The company requests, and the order herein will provide, that all the proceeds from the sale of the \$2,500,000 of stock be deposited and held by the applicant in its treasury, and disbursed only after receiving direction and specified approval and authorization from this Commission in a supplemental order or orders.

I herewith submit the following form of order:

#### ORDER.

Southern California Edison Company having applied to the Railroad Commission for permission to issue 25,000 shares of its common capital stock of the par value of \$100 a share, a public hearing having been held, and it appearing to the Railroad Commission that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose or purposes specified in the order and that the expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income.

*It is hereby ordered* that Southern California Edison Company be, and it is hereby, granted authority to issue and sell to its stockholders and to the public, at not less than \$90 per share net, 25,000 shares (\$2,500,000) of its common capital stock, subject to the following conditions and not otherwise:

1. The proceeds from the sale of the 25,000 shares of stock herein authorized shall be deposited by applicant in its treasury and expended only after applicant shall have filed with the Railroad Commission a detailed statement showing the purposes for which it proposes to use said proceeds, and shall have received a supplemental order or orders from the Commission.

2. Southern California Edison Company shall keep such record of the issue and sale of the stock herein authorized and of the disposition of the proceeds as will enable it to file on or before the twenty-fifth day of each month a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

3. In case of sale of stock to brokers for resale, the company may pay a brokerage commission of \$1 a share.

4. The authority herein granted to issue stock, shall apply only to such stock as shall have been issued on or before June 30, 1920.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this seventh day of August, 1919.

## DECISION No. 6545.

IN THE MATTER OF THE APPLICATION OF SOUTHERN CALIFORNIA EDISON COMPANY, A CORPORATION, FOR AN ORDER OF THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA AUTHORIZING IT TO ISSUE, SELL AND DELIVER FIFTY THOUSAND SHARES OF ITS COMMON CAPITAL STOCK OF THE PAR VALUE OF ONE HUNDRED DOLLARS EACH.

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Application No. 2743.

Decided August 7, 1919.

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*Roy V. Reppy*, for Applicant.

*Harry J. Bauer*, of Counsel.

EDGERTON, *Commissioner*.

**SUPPLEMENTAL OPINION.**

The Railroad Commission of the State of California by supplemental orders in Decisions Nos. 4403, 4415, 4570 and 4752, in the above-entitled matter, authorized applicant herein to issue and sell at not less than \$88 per share, 57,000 shares of its common capital stock. Of this stock, applicant was authorized to issue 5000 shares to its employees and the balance to the general public.

Applicant herein, on July 29, 1919, filed, in the above-entitled matter, its eighth supplemental application asking for authority to issue and sell, in addition to the 57,000 shares heretofore authorized, a further 2,000 shares, to be sold in one lot at \$88 net cash per share.

At the hearing, applicant reported that all the stock which it was authorized to sell to the public, as distinguished from its employees, has been sold, and that it has an unfilled order from an Eastern broker for 2,000 shares. Applicant wishes to fill this order for 2,000 shares and use the proceeds for the purposes specified in the orders of the Commission now in effect in the above-entitled matter, namely, the payment of notes and accounts payable.

I herewith submit the following form of order:

**EIGHTH SUPPLEMENTAL ORDER.**

Southern California Edison Company having asked for authority to issue and sell 2,000 shares of its common capital stock of the par value of \$100 per share, a public hearing having been held, and the Commission being of the opinion that the money, property or labor to be procured or paid for by such issue of stock is reasonably required for the purpose or purposes specified in the order, and that such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income,



*It is hereby ordered* that Southern California Edison Company, be, and it is hereby, granted authority to issue for not less than \$88 net cash per share, 2,000 shares of its common capital stock of the par value of \$100 per share.

*It is hereby further ordered* that this Commission's Decision No. 4403, as amended by supplemental orders thereto, shall remain in full force and effect except as modified by this eighth supplemental order.

The foregoing supplemental opinion and eighth supplemental order are hereby approved and ordered filed as the supplemental opinion and eighth supplemental order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 7th day of August, 1919.

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DECISION No. 6546.

IN THE MATTER OF THE APPLICATION OF THE BOLINAS BAY TRANSPORTATION COMPANY FOR AN ORDER AUTHORIZING AN INCREASE OF FREIGHT RATES.

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Application No. 4691.

Decided August 7, 1919.

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Applicant operating a freight and passenger steamer between San Francisco and Bolinas applies for, and upon a showing that its present rates are unremunerative, is granted permission to increase freight rates approximately twenty-five per cent.

*L. B. Petar*, for Applicant.

BY THE COMMISSION.

**OPINION.**

The Bolinas Bay Transportation Company applies for an order authorizing an increase in freight rates applying on the schooner Owl, operated between San Francisco and Bolinas, Marin County. The increases sought amount to about 25 per cent over the present tariff.

Public hearing was held by Examiner Westover at Bolinas, July 22.

The Owl was purchased about five years ago for \$10,000 and is operated two round trips a week between San Francisco and Bolinas. The principal freight from Bolinas consists of milk, cheese and live stock and from San Francisco general merchandise and stock feed. The gross revenue for 1918 was \$7,646.60, of which \$553.52 was derived from passenger travel. The operating expenses, which appear to be reasonable, amounted to \$7,467.50, of which over half represented labor. The apparent net operating revenue of \$179.10 for the year is more

than offset by an item of \$692.79 representing uncollectible freight bills, mostly due from one patron.

The net operating revenue for the year 1917 was \$2,678.93. Owing to work performed in addition to regular transportation business, including the salvaging of the boilers of the steamer Bear, the business for the year 1916 showed a net loss in operation of \$1.77. In the operating expense for the three years referred to no depreciation has been shown.

The present assets, aside from accounts and cash items, consist of the schooner Owl (gross registered capacity 47 tons) purchased about five years ago for \$10,000, and real estate at Bolinas, on which is located applicant's dock and warehouse, costing \$875. The business was begun about seven years ago by J. G. Petar and L. B. Petar who first operated a very small schooner called the Jennie Griffin. This boat was sold last spring and is not considered in fixing present rates.

None of applicant's patrons appeared at the hearing and the testimony shows that so far as they have been personally advised of the proposed increase they have offered no objection to it. The increase requested is justified by the testimony.

#### ORDER.

Bolinas Bay Transportation company having applied for authority to increase rates for freight transported between San Francisco and Bolinas, Marin County, a public hearing having been held and the matter being ready for decision,

*The Railroad Commission hereby finds as a fact that the present tariff rates are unreasonable and noncompensatory and that the rates set forth in proposed tariff C. R. C. No. 2 attached to and made part of the application are just and reasonable rates, and basing its order upon the above finding and upon all of the findings of fact contained in the opinion preceding this order,*

*It is hereby ordered that J. G. Petar and L. B. Petar, partners under the name and style of Bolinas Bay Transportation Company, be, and they are hereby, authorized and empowered to publish and file in tariff with the Commission and thereafter collect the rates shown in proposed freight tariff C. R. C. No. 2, attached to the application.*

Dated at San Francisco, California, this seventh day of August, 1919.

## DECISION No. 6547.

IN THE MATTER OF THE APPLICATION OF GEORGE IMPERIALE FOR  
AN ORDER AUTHORIZING THE SALE AND TRANSFER OF OPERA-  
TIVE RIGHTS AND PROPERTY OF HIS MOTOR STAGE LINE.

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Application No. 4784.

Decided August 9, 1919.

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TRANSFER OF OPERATIVE RIGHTS.—Transfer from individual operator to corporation able and willing to establish adequate and reliable service for the public approved.

CHAPTER 280, LAWS OF 1919.—Amendments to section 5, chapter 213, laws of 1917, became effective July 22, 1919.

Approval of Railroad Commission necessary to the transfer, assignment or sale of operative rights.

BY THE COMMISSION.

**ORDER.**

Guiseppe Imperiale (more commonly known as George Imperiale) and Peninsula Rapid Transit Company, a corporation, have petitioned the Railroad Commission for an order authorizing the transfer of the operative rights of said Imperiale for the conduct of an automobil-stage business as a common carrier of passengers and baggage between San Francisco and San Jose to said Peninsula Rapid Transit Company, a corporation.

The operative rights heretofore held by said Imperiale were those acquired by reason of regular operation having been conducted in good faith on May 1, 1917, and continuously from such date up to the present time, the legislature having recognized May 1, 1917, as the date upon which transportation companies, as defined by chapter 213, laws of 1917, were not required to secure a certificate of public convenience and necessity from this Commission nor permits from the governing bodies of all political subdivisions through which such route passed.

This application is brought under the provisions of section 5 of chapter 213, laws of 1917, as amended by chapter 280, laws of 1919, which amendments became effective July 22, 1919, a portion of such section requiring the consent of the Railroad Commission to the transfer, assignment or sale of operative rights as originally recognized by the legislature as above noted or as conferred by reason of certificate of public convenience and necessity having been issued by this Commission.

A copy of the proposed bill of sale under which the equipment, business, and operative rights of applicant, Imperiale, are to pass to applicant, Peninsula Rapid Transit Company, has been filed marked exhibit "A" attached to the application in this proceeding.

We are of the opinion that this is a matter in which a public hearing is not necessary and that the transfer of such right from an individual operator to a corporation able and willing to establish adequate and reliable service for the public should be approved and that the application should be granted.

*It is hereby ordered* that the transfer of the right to conduct an automobile stage line as a common carrier of passengers and baggage between San Francisco and San Jose heretofore held by Guiseppe Imperiale be, and the same hereby is, authorized transferred to the Peninsula Rapid Transit Company, a corporation, provided, however, that this transfer shall not become effective until applicants herein will have received from the Railroad Commission a supplemental order herein reciting that there has been filed with this Commission a certified copy of a bill of sale or other adequate document transferring such right from said Imperiale to said Peninsula Rapid Transit Company.

*It is hereby ordered* that coincidently with the transfer of the rights and privileges hereinbefore authorized that said Imperiale will withdraw all tariff and schedule filings now of record with this Commission and covering the route between San Francisco and San Jose.

*It is hereby further ordered* that no vehicle may be operated by applicants, Peninsula Rapid Transit Company, over the route hereinabove specified, unless such vehicle is owned by said Peninsula Rapid Transit Company or is leased under a contract or agreement on a basis satisfactory to the Railroad Commission.

The Railroad Commission hereby reserves the right to make such other and further orders in this proceeding as to it may appear right and proper or as the public interest may require.

Dated at San Francisco, California, this ninth day of August, 1919

## DECISION No. 6548.

IN THE MATTER OF THE APPLICATION OF JAMES A. MURRAY, WILLIAM G. HENSHAW AND ED. FLETCHER, COPARTNERS, DOING BUSINESS UNDER THE FIRM NAME AND STYLE OF THE CUYAMACA WATER COMPANY, FOR AN ORDER AUTHORIZING AND PERMITTING THEM TO PLACE A SURCHARGE UPON THEIR PRESENT RENTALS, TOLLS AND CHARGES FOR WATER FURNISHED BY THEM.

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Application No. 4670.

Decided August 11, 1919.

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EMERGENCY SURCHARGE permitted over and above legal rates for water in view of existing emergency necessitating increased production of water at an increased cost.

WATER RATE SURCHARGE two cents per 100 cubic feet in addition to present rates.

MONTHLY REPORTS—Utility compelled to submit to Railroad Commission monthly reports showing costs of operation and reconstruction of its El Monte and La Mesa pump plants.

*Ed. Fletcher*, for the Cuyamaca Water Company.

*George & McCoy*, for the consumers of Normal Heights, Kensington Park and Granada Tract, with Judge D. T. Glidden, as of counsel.

*Clarence S. Preston*, for various irrigation consumers.

*Marcus W. Roberts*, for the consumers of El Cajon.

*D. G. Gordon*, in *propria persona* and temporarily for what has been the C. A. Hooper & Company interests.

*A. Haynes and J. H. Halley*, for the Lemon Grove Mutual Water Company.

*George Russell*, for the Fairmont Water Company.

*James E. O'Keefe*, for the city of La Mesa.

*J. M. C. Warren*, for Helix Mutual Water Company.

*E. D. Noble*, in *propria persona*.

*P. J. Lea*, in *propria persona*.

*H. A. Marshall*, in *propria persona*.

*William Stelberg*, in *propria persona*.

*O. D. Wilhite*, in *propria persona*.

*E. W. Moyer*, in *propria persona*.

MARTIN, *Commissioner*.

## OPINION.

This is a proceeding brought by James A. Murray, William G. Henshaw and Ed. Fletcher, copartners doing business under the firm name and style of the Cuyamaca Water Company, for the establishment of a surcharge to be collected by them in addition to the present legal rates.

The application alleges in effect that because of large increases in the cost of labor and material, their expenses have increased so materially that the present rate schedule does not yield a sum sufficient to meet operating expenses, and prays for an order establishing a sur-

charge, pending final determination by this Commission of fair and proper rates, sufficient to produce revenue to pay the cost of operation.

A public hearing was held in San Diego on July 22, 1919, at which applicant stated that in addition to asking for an increase due to the increased cost of labor and material, it desired a surcharge to meet an emergency expenditure necessitated by the reconstruction of its so-called El Monte pumping plant, the reconstruction of which is necessary in order to deliver an adequate supply of water during the present irrigation season.

The hearing held at San Diego included partial hearing of the proceedings entitled "In the Matter of the Application of James A. Murray, William G. Henshaw and Ed. Fletcher, copartners, doing business under the firm name and style of the Cuyamaca Water Company, for an order authorizing and permitting an increase in the rentals, tolls and charges for water furnished by them and service rendered by them in furnishing water in the county of San Diego, State of California, Application No. 4515," and "Robert Ross et al. vs. James A. Murray, Ed. Fletcher and William G. Henshaw, copartners, doing business under the firm name and style of Cuyamaca Water Company, Case No. 1272," and the presentation of evidence relating to the necessity for the immediate establishment of a surcharge to meet the claimed emergency due to increased costs of operation and the cost of reconstructing the El Monte plant. This last proceeding was submitted, briefs filed and is now ready for decision.

It is clearly established and admitted by all that an emergency exists and immediate action must be taken by the Cuyamaca Water Company to reconstruct the so-called El Monte pumping plant in order to prevent serious losses of crops. The consumers contend that the water shortage is due to lack of foresight on the part of applicant, and therefore applicant should bear this additional cost and not be recouped from rates. Applicant, on the other hand, takes the position that conditions have been such during the present season as to have made it impossible to know, prior to this time, that it would be necessary to develop and deliver a supply additional to that available in its impounding reservoirs and the cost of reconstructing its pumping plant is an extraordinary emergency expense to protect its consumers, for which expense it should be recouped by the establishment of a surcharge.

The Cuyamaca Water Company obtains its water supply from the waters of the San Diego River. It has constructed two impounding reservoirs known as the Murray or La Mesa and Cuyamaca. At such seasons of the year as the natural flow of the river is less than is necessary to meet the demands of its consumers, it draws upon the water impounded in these two reservoirs. The Murray reservoir has a

capacity of approximately 6000 acre-feet and the Cuyamaca reservoir 11,000 acre-feet. These two reservoirs deliver water to service areas which are distinct and separate.

From Cuyamaca reservoir, water is discharged into Boulder Creek from which it is diverted by a small dam some 12 miles below. From the diversion dam it is transmitted a distance of approximately 33 miles by wooden flumes, tunnels and siphons to two small distribution reservoirs known as Eucalyptus and Grossmont or Murray Hill; thence it is distributed through pipes for irrigation and domestic uses.

The Murray reservoir, which is much lower in elevation than Cuyamaca reservoir, discharges its impounded water into wood and steel pipes which deliver it to the consumers. When needed, the city of San Diego receives a portion of its supply from this reservoir.

The district served by Murray reservoir is known as low service, whereas the district below Eucalyptus reservoir, which receives its water supply from Cuyamaca reservoir, is known as high service. The service to consumers in the El Cajon Valley, through which the flume passes and to other consumers along its line, is known as flume service. The different zones of service will be referred to as above.

From the records of water use and the probable use of the city of San Diego during the remainder of this year, it appears that there is not only sufficient water impounded in Murray reservoir to meet this demand, but that a considerable surplus exists. The present shortage of supply is on the high and flume service supplied from Cuyamaca reservoir. Because of the abundance of water in the Murray reservoir, the company recently put into operation a pumping plant to lift water from the low to the high service. This plant is located near the city of La Mesa and is known as the La Mesa plant. It has a capacity of 133 cubic feet per minute which is insufficient to relieve the existent shortage on the high and flume service.

The El Monte pumping plant, which it is now proposed to rehabilitate, is located in the bed of the San Diego River near the line of the flume at a point approximately 12 miles from Eucalyptus reservoir. Applicant is now drilling five to seven wells from which the water supply will be obtained. This water will be lifted approximately 320 feet by a centrifugal pump and discharged into the flume. The pump has a capacity of 288,000 cubic feet per day and will have a total output of 39,000,000 cubic feet if operated continuously from the estimated date of completion to January 1, 1920.

The original El Monte pumping plant was purchased in 1914 by the Cuyamaca Water Company. The plant was later rebuilt and new equipment installed. It was operated from time to time as needed until the 1916 flood which damaged it to a material extent, since which

it has not been rebuilt nor put into operating condition. It is now proposed to use some of the equipment formerly in place, and by adding additional materials rehabilitate the plant which will necessitate drilling new wells and the construction of pipe lines, pump house, pump and motor foundations, etc.

Estimates of the cost of rehabilitating the El Monte plant and the La Mesa plant and also the cost of operating these plants for the estimated time necessary to produce an adequate quantity of water for the remainder of the year were submitted at the hearing by applicant's superintendent and engineer, Mr. C. Harritt, and by the Commission's engineers. These are as follows:

	C. Harritt	Commission's engineers
<i>Cost of Rehabilitation—</i>		
El Monte plant.....	\$5,692 to \$8,000	\$5,306
La Mesa plant.....	297	297
<b>Totals.....</b>	<b>\$5,989 to \$8,297</b>	<b>\$5,603</b>
<i>Cost of Operation—</i>		
El Monte plant.....	\$11,662	\$10,202
La Mesa plant.....	2,755	1,947
<b>Totals.....</b>	<b>\$14,417</b>	<b>\$12,149</b>

Both engineers submitted carefully detailed analyses of the estimated cost. Mr. Harritt included in his estimate a larger allowance for contingencies than was included by the Commission's engineers.

The consumers, through their representatives, contend that this expense, made necessary by the water shortage, is due to carelessness and negligence of the company in the operation and development of its system. It is contended by Mr. Haynes, representing certain water users, that the same emergency which made necessary this expenditure has also produced for the company additional revenue from the sale of water to the city of San Diego. A number of estimates of the revenue which would be produced during the remainder of this year from this source was submitted, varying in amount from \$35,000 to \$45,000.

In regard to this, attention is directed to this Commission's Decision No. 4058, "In the Matter of the Application of James A. Murray and Ed. Fletcher for an order fixing rates to be charged and collected for water furnished and to be furnished by them, and service rendered by them in furnishing water, and in furnishing, carrying and conveying water in the county of San Diego, State of California, Application No. 1231," in which the Commission estimated and included in the estimated income of the company the sum of \$41,316 as the amount



which would probably be produced by sales to the city of San Diego. The probable revenue during this year from the city is therefore a part of the gross revenue which the Commission recognized in heretofore establishing rates.

It then remains to determine whether or not the expense incurred, because of the emergency, should be borne by the company or the consumers at this time, or should be amortized over a series of years. It is undoubtedly an extraordinary expense necessitated by the 1916 flood and the extreme drought now existing and the cost of replacing the plant as submitted is not in amount equal to the cost of constructing a new plant, but includes only items of extraordinary maintenance caused by the flood damage of 1916.

A study of the financial condition of applicant discloses that it has sustained practically continuous losses for some time past.

Regardless of whether or not the company has in the past failed to conserve its resources, a question which it is not necessary to pass upon at this time, it was clearly shown at the hearing that the present financial situation of the company is acute.

Almost immediately subsequent to the effective date of the order establishing the present rates of the Cuyamaca Water Company, prices of materials and labor increased, and since that time have been abnormally high. While this matter can not be given detailed consideration until such time as the entire rate schedule of applicant is before this Commission, it is a factor in determining whether or not an expenditure such as this should be borne by the consumers or by applicant. The emergency must be met and money expended or the consumers will suffer great loss, and we are confronted with a situation where the utility is not financially prosperous, and in this emergency the expense created because of it must under all conditions of this case be borne by those receiving the direct benefit. After carefully considering conditions, it appears advisable to establish a temporary surcharge to produce the amount expended by applicant in the operation of the El Monte and La Mesa plants, and also produce at least a portion of its expenditures in rehabilitating these plants.

The question of this Commission's jurisdiction to alter outstanding contracts, must, because of the emergency nature of this proceeding, be held in abeyance until such time as hearing is completed in the other proceedings relative to this company now pending before this Commission.

Because of this claim, and in order that no rights which these consumers may have shall be prejudiced, this order will be in nature preliminary and without prejudice to any later determination of these rights by the Commission upon complete hearing.

Careful consideration of the matter of the distribution of this expense among the various consumers clearly leads to the conclusion that this additional expense should be borne by all water users alike, regardless of location, in proportion to the quantity of water used by them and the surcharge established herein is based upon such distribution.

**ORDER.**

James A. Murray, Wm. G. Henshaw and Ed. Fletcher, copartners doing business under the firm name and style of the Cuyamaca Water Company, having applied to this Commission for authority to establish and collect a surcharge for water delivered by them to their consumers and a public hearing having been held, briefs filed and being ready for decision,

*It is hereby found as a fact* that an emergency exists necessitating increased production of water at an increased cost and that to meet this cost a surcharge should be established over and above legal rates for water heretofore in effect; and that the rates heretofore in effect, in so far as they differ from the rates herein established, are unreasonable and unjust and that the rates herein established are just and reasonable, and basing its order upon the foregoing findings of fact and upon further statements of fact contained in the opinion which precedes this order,

*It is hereby ordered*, that Jas. A. Murray, Wm. G. Henshaw and Ed. Fletcher be, and they are hereby, authorized and directed to file with this Commission within 20 days from date of this order the following rate to be charged by them in addition to the rates heretofore in effect for all water delivered by them to their consumers, effective for all meter readings subsequent to the date of this order: For all water delivered two cents per 100 cubic feet in addition to the rates heretofore collected.

*It is hereby further ordered* that the above emergency rate will remain in effect until January 1, 1920, unless otherwise ordered by this Commission.

*It is hereby further ordered* that applicant herein submit reports monthly showing costs of operation and reconstruction of its El Monte and La Mesa pump plants and details of the amount paid to it by its consumers under the above established rate.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this eleventh day of August, 1919.

## DECISION No. 6549.

IN THE MATTER OF THE APPLICATION OF THE SAN FRANCISCO-OAKLAND TERMINAL RAILWAYS FOR AN ORDER READJUSTING PASSENGER FARES BETWEEN SAN FRANCISCO AND TRANSBAY POINTS.

Application No. 2985.

Decided August 11, 1919.

**REORGANIZATION.**—As long as a utility rests on an unsound financial structure it is bound to continue in financial difficulties in the future as it has in the past. Rate increases will not effect a complete or permanent remedy of such a situation.

**DEPRECIATION RESERVE.**—An adequate reserve is without doubt one of the most important considerations in a rate proceeding. Self-evident that if equipment wears away and must be replaced and there is no money available for such replacement, operating expenses must increase, value of property must dwindle, the capital account will be inflated and what is perhaps most important, service must deteriorate.

**STREET RAILWAY PROPERTIES.**—In California and throughout the United States such companies are today confronting the deplorable condition brought about through the lack of an adequate depreciation reserve.

**DEPRECIATION SINKING FUND.**—Ordered to be set aside in cash the annual sum of \$240,000 in installments of \$20,000 per month.

Applicant permitted to charge a 15-cent single fare between all points on its lines where the single fare is now 11 cents. Monthly commutation rates between all points on its lines \$4 per monthly commutation book where the present monthly commutation book is \$3.30.

*C. W. Durbrow*, for Southern Pacific Company.

*Bishop & Behler*, by *H. M. Wade* and *L. R. Bishop*, for the city of Oakland and Oakland Chamber of Commerce.

*Paul C. Morf* and *H. L. Hagan*, for the city of Oakland.

*Frank D. Stringham* and *B. D. Marx Greenc*, for the city of Berkeley and Berkeley Chamber of Commerce.

*A. F. St. Sure*, for city of Alameda.

*H. F. Strother*, for master mates and pilots in the employ of the Southern Pacific and San Francisco-Oakland Terminal Railways.

*Vincent Carroll*, for marine engineers.

*C. W. White*, for city of Hayward.

*T. V. O'Brien*, for the citizens of Hayward.

*Sapiro, Neylan & Ehrlich*, for East Oakland Protective League and Merchants Exchange of Oakland.

*Leon Clark*, for city of Albany.

*Morrison, Dunne & Brobeck* and *Creed, Jones & Dall*, for San Francisco-Oakland Terminal Railways.

BY THE COMMISSION.

## FIRST SUPPLEMENTAL ORDER.

On June 8, 1918, the Commission made a preliminary order in this application (Decision No. 5473, Opinions and Orders of the Railroad Commission of California, Vol. 15, p. 832) and authorized the San

Francisco-Oakland Terminal Railways to increase by 10 per cent its one-way and commutation suburban passenger fares. This order had the effect of raising the one way fare from 10 to 11 cents and the commutation fare from \$3 to \$3.30 between San Francisco and points located in Alameda County, those being the rates established June 10, 1918, between the same points on the Southern Pacific Company by Director General McAdoo in his Order No. 28. The application had been consolidated with Applications Nos. 3086, 3087 and 3219, and a number of hearings were held on the four applications, beginning September 5, 1917, and ending May 29, 1918. Applications Nos. 3086 and 3087 were filed in behalf of the Southern Pacific Company to increase their fares between these same points and were dismissed by this Commission June 8, 1918, by reason of the Southern Pacific Company having passed under federal control. Application No. 3219, of the San Francisco-Oakland Terminal Railways, sought authority to increase its street car fares on the Traction Division serving points in Alameda and Contra Costa counties. This last application was disposed of by our Decision No. 5687, August 13, 1918 (Opinions and Orders of the Railroad Commission of California, Vol. 15, p. 1070), by which applicant was given permission to increase the fares in the street car zones from 5 to 6 cents.

We, therefore, have remaining for consideration, in connection with the transbay rates, only those of the Key Division of the San Francisco-Oakland Terminal Railways embraced in Application No. 2985. The application as filed July 7, 1917, asked for higher passenger fares based on the large increases in operating costs consisting mainly of wages, paving, taxes, cost of materials and supplies, power and fuel.

In Decision No. 5473, *supra*, we said:

"On May 27, 1918, the Director General of Railroads, Hon. Wm. G. McAdoo, filed with this Commission his order No. 28, initiating new freight and passenger rates on all federally controlled railways, the passenger rates to become effective on June 10, 1918, and the freight rates on June 23, 1918.

The passenger rate schedule as initiated by the Director General also affects so-called suburban and commutation rates, and in so far as such rates are concerned reads as follows:

"Section 9. Commutation fares shall be advanced ten (10) per cent. Commutation fares shall be construed to include all forms of transportation designed for suburban travel, and for the use of those who have daily or frequent occasion to travel between their homes and places of employment or educational institutions." (Page 833.)

\* \* \* \* \*

"The numerous issues involved were presented by the applicants and protestants in these proceedings in a very thorough and complete manner. The Commission has now before it all of the data necessary in order to come to definite conclusions, but it has not yet been possible to come to a final decision as to the amount of increase which should be finally allowed. Pending such decision it is our opinion that the Key System should be authorized to put into effect the same rates that will be established for the Southern Pacific as it seems to us proper that similar rates should become effective for both lines at the same time." (Page 834.)

The San Francisco-Oakland Terminal Railways is divided into two divisions—the Key Division, covering that part of the organization handling passengers by boat and rail between San Francisco and Alameda County points, and the Traction Division, handling the street car and interurban traffic between points located in Contra Costa and Alameda counties. While this proceeding has only to do with Key Division rates, it will be necessary to deal, to a great extent, with the property as a whole in order to reach a conclusion.

**Financial condition of the company.**

The financial condition of applicant as it appears in the last annual report filed with the Commission is shown on the following condensed balance sheet as of December 31, 1918:

ASSETS.	
<i>Investments.</i>	
Road and equipment.....	\$46,052,230 05
Sinking fund .....	213,342 35
Deposits in lieu of mortgaged property sold.....	11,700 00
Miscellaneous physical property.....	1,594,177 99
Investments in affiliated companies:	
Stocks .....	1,979,344 26
Other investments:	
Bonds .....	13,601 00
Miscellaneous .....	3,464,000 00
Total investments .....	\$53,328,395 65
<i>Current Assets.</i>	
Cash .....	\$66,040 41
Special deposits .....	110,854 52
Loans and notes receivable .....	500 00
Miscellaneous accounts receivable.....	125,695 42
Material and supplies .....	388,122 56
Interest, dividends and rents receivable.....	528 93
Total current assets.....	\$691,791 84
<i>Deferred Assets.</i>	
Insurance and other funds.....	\$6,426 91
Total deferred assets.....	\$6,426 91
<i>Unadjusted Debits.</i>	
Rents and insurance premiums paid in advance.....	\$16,522 75
Other unadjusted debits .....	55,992 55
Total unadjusted debits .....	72,315 30
Grand total .....	\$54,098,929 70
LIABILITIES.	
<i>Stock.</i>	
Capital stock .....	\$28,175,000 00
Total stock .....	\$28,175,000 00

*Long Term Debt.*

Funded debt unmatured -----	\$18,825,000 00
Total long-term debt -----	\$18,825,000 00

*Current Liabilities.*

Loans and notes payable-----	\$3,848,901 51
Audited accounts and wages payable-----	531,250 44
Miscellaneous accounts payable-----	12,351 86
Matured interest, dividends and rents unpaid-----	952,310 00
Matured funded debt unpaid-----	1,183,000 00
Accrued interest, dividends and rents payable-----	318,012 86
Total current liabilities-----	\$6,845,826 67

*Deferred Liabilities.*

Deferred liabilities -----	\$34,182 63
Total deferred liabilities -----	\$34,182 63

*Unadjusted Credits.*

Tax liability -----	\$16,381 32
Insurance and casualty reserves-----	5,000 00
Operating reserves -----	25,875 03
Accrued depreciation—road and equipment-----	866,725 02
Reserve for amortization of franchises-----	22,094 40
Other unadjusted credits -----	33,970 48
	\$970,047 25
Profit and loss debit-----	\$751,126 85
Total corporate surplus-----	\$751,126 85
Grand total -----	\$54,098,929 70

The investment in road and equipment of the entire property, including materials and supplies, it will be noted, appears on the balance sheet at \$46,440,402.61. This figure is not reliable as an investment figure and should be compared with the valuation figures available for this purpose.

It is our opinion that neither the investment nor the valuation in this proceeding can be considered the chief factor in the determination of rates. It should be noted, however, that the Commission's engineering department's estimates of reproduction cost less depreciation of this property, which figures in our opinion reflect as nearly as may be the "fair value" of the property devoted to the public service, are: \$8,000,000 (approximately) for the Key Division property, \$11,000,000 (approximately) for the Traction Division property, and a total of \$19,000,000 (approximately) for the combined property. The valuation figures as reflecting the cost, less depreciation, are the values under which the company claims a fair return.

The following table, compiled from applicant's income and expense statements in evidence herein, portrays the results of the company's

operation for the Key and Traction divisions for the various periods shown:

	Gross operating revenue	Operating expenses (including depreciation as figured by company) and taxes	Operating income	Nonoperating income	Gross income
Fiscal year ending June 30, 1915:					
Traction division .....	\$2,994,599 03	\$2,159,261 49	\$835,337 54	\$16,325 16	\$851,662 64
Key division .....	1,339,292 26	1,025,272 62	334,019 64	46,339 65	380,359 29
Totals .....	\$4,333,891 29	\$3,184,534 11	\$1,169,357 18	\$62,664 75	\$1,232,021 93
Fiscal year ending June 30, 1916:					
Traction division .....	\$3,069,702 30	\$2,276,184 67	\$793,518 23	\$13,375 52	\$746,893 75
Key division .....	1,408,145 59	1,051,892 40	356,253 19	47,037 24	403,290 43
Totals .....	\$4,417,847 89	\$3,328,076 47	\$1,089,771 42	\$60,412 76	\$1,150,184 18
Fiscal year ending June 30, 1917:					
Traction division .....	\$3,928,946 95	\$2,277,964 63	\$950,976 92	\$13,968 37	\$964,945 29
Key division .....	1,187,454 34	1,274,257 83	*86,803 49	41,982 34	*44,821 15
Totals .....	\$4,416,396 29	\$3,552,221 86	\$864,173 43	\$55,890 71	\$920,064 14
Calendar year 1918:					
Traction division .....	\$3,748,821 78	\$2,924,087 59	\$824,734 16	\$15,068 71	\$839,742 90
Key division .....	1,411,563 36	1,371,556 29	40,007 07	3,174 91	43,181 98
Totals .....	\$5,160,385 14	\$4,295,643 88	\$864,741 26	\$18,183 62	\$882,924 88

\*Deficit.

†Includes \$240,882.34 account of old trestle.

Items representing operating income, as the table shows, are the amounts obtained after deducting operating expenses (including depreciation and taxes) from the gross operating revenue, to which is added nonoperating income, and from this gross income payment of interest on funded and unfunded debt and return on the property investment is obtained. The deficit for fiscal year 1917 for the Key Division is accounted for by reason of a charge to operating expense of \$240,882.34, covering abandonment of the old pier trestle, which amount should properly have been spread over a period of years. By eliminating this charge, instead of a deficit of \$44,821, a profit of \$196,061 would appear. It will be noted that the increase in gross operating revenue 1918 over 1915 is \$806,493.85, whereas the increase in expenses amounts to \$1,111,109.77, indicating that the growth in revenue has failed to keep pace with the increase in operating expenses. The operating costs commenced to ascend in 1917 beginning with the decision of the board of arbitration in the dispute between the company and its steamer crews involving the engineers, masters, mates and pilots, which resulted in changed working hours and the employment of additional men, entailing an increase in the pay roll of approximately \$30,000 per annum. It is an established fact that since then the cost of labor and materials has steadily been on the increase.

The following table was prepared from the applicant's accounts and from reports made by the Commission's auditing department. It shows

results for the Key Division only for the period beginning August 1, 1918, and ending June 30, 1919, compared with similar period for the preceding year.

Period	Operating revenue	Operating expenses exclusive of depreciation	Operating profit before charging depreciation	Depreciation	Operating profit after charging depreciation
Aug. 1, 1918, to June 30, 1919.	\$1,384,138 00	\$1,214,647 00	\$169,491 00	\$193,071 00	\$23,580 00
Aug. 1, 1917, to June 30, 1918.	1,205,141 00	959,071 00	247,070 00	143,783 00	103,287 00
Increase -----	\$177,997 00	\$255,576 00	-----	\$49,288 00	-----
Decrease -----	-----	-----	\$77,579 00	-----	\$125,867 00

NOTE.—During the current year (1919) the wages of platform men and the boat crew were increased, such increases being retroactive, as follows: Platform men as from November 1, 1918, boat crew as from January 1, 1919. The company states that the amount due the men under the retroactive clause had not been paid June 30, 1919, nor had the liability been set up on the books, with the result that the operating expenses shown above are understated by approximately \$20,000, and the result of the operation of the system for the eleven months to June 30, 1919, should be a loss of \$43,580 in place of \$23,580 shown above.

From the foregoing table it will be seen that while operating revenue increased \$177,997, the operating expenses, exclusive of depreciation, increased \$255,576, an excess in the increase in expenses over increase in revenue of \$77,579. When the claimed increase in depreciation of \$49,288 is included, it is shown that the net operating profit for the eleven months' period 1918-1919, as compared with 1917-1918, was a decrease.

In this discussion the item of depreciation enters as charged by the company without any correction on the part of the Commission. The matter of depreciation is a very important one and will be further considered in this decision.

The fare of 11 cents and the commutation fare of \$3.30 authorized in our Decision No. 5473, Application No. 2985, constituting a 10 per cent increase, on the Key Division, became effective June 12, 1918, and the fare of 6 cents on the Traction Division, making an increase of 20 per cent, as authorized by our Decision No. 5687, Application No. 3219, became effective August 31, 1918. In order to ascertain the effect of these increases on the revenue of both divisions of the San Francisco-Oakland Terminal Railways, the Commission's auditing department made a comparative statement beginning with August 1, 1918, to and including June 30, 1919. Without producing the figures in detail it is sufficient to say that while in the period under consideration the increases in rates produced additional revenue to the amount of \$685,116.83, the increases in expenses and taxes including depreciation as charged by the company amounting to \$762,808.42, showing that during the ten months' period August 1, 1918, to and including May 31, 1919, the entire property earned net \$77,691.69 less than it produced during the same period of 1917-1918.



For the twelve months, comparing the fiscal year ending June 30, 1919, with the year ending June 30, 1918, we find that the Traction Company carried (pay passengers only) 68,234,105 as against 66,407,534, or an increase of 1,826,571, indicating no diminution in travel by reason of the change in fare from 5 to 6 cents. The same condition developed on the Key Division, 15,338,617 passengers having been carried as against 14,663,552, or an increase of 675,065, a total increase for the two divisions during the twelve months' period of 2,501,636 passengers.

Were it not for the fact that there has been a remarkable increase in traffic during the last two years on both the Traction and the Key divisions of this system, the financial results would be much worse. There appears to be so healthy and rapid a growth in population in the territory served by this company that it is sound to estimate that this growth will further continue. This condition is taken into consideration in reaching our conclusions.

Even with this condition obtaining it is apparent that the increased gross revenue from the increased traffic has failed to keep up with the increasing operating expenses. The results for the ten months' period September 1, 1918, to June 30, 1919, for the Key and Traction divisions during which time the increased fares were in full force and effect, will be apparent from the following table:

	Key	Traction	Total
Gross operating revenue.....	\$1,194,165 34	\$3,469,300 20	\$4,654,465 54
Operating expenses (excluding depreciation).....	1,048,540 83	2,311,161 50	3,359,702 33
Net operating revenue.....	\$145,624 31	\$1,149,135 70	\$1,294,760 21
Add net commissary revenue.....	57,056 12		57,056 12
Total net revenue.....	\$202,680 63	\$1,149,135 70	\$1,351,816 33
Less taxes.....	57,173 09	163,108 23	230,281 32
Operating income.....	\$135,507 54	\$983,027 47	\$1,121,535 01
Add nonoperating income.....	1,375 49	14,856 93	16,231 42
Gross income.....	\$136,883 03	\$1,000,883 40	\$1,137,733 43
Total depreciation.....	175,415 59	236,577 99	411,993 58
Net income after deducting operating expenses, including depreciation and taxes.....	\$38,532 56	\$764,305 41	\$725,772 85
Correction: auditor's entry in connection with renewals for last four months of 1918 improperly charged to operating expenses, now credited to profit and loss and charged to depreciation.....	5,828 17	23,856 20	29,684 46
Corrected net income.....	\$32,704 39	\$788,161 70	\$755,457 31
Deduct additional operating expenses:			
Increased wages motormen and conductors retroactive November 1, 1918, to April 22, 1919 (National War Labor Board award).....	11,189 21	74,465 37	85,654 58
Increased wages, ferryboat crews, retroactive January 1, 1919 (account action of federally controlled lines).....	10,560 00		10,560 00
Actual net income after deducting all operating expenses (including depreciation and taxes) corrected.....	\$54,453 60	\$713,696 33	\$659,242 73

Under a decision of the National War Labor Board, effective April 22, 1919, wage scales of motormen and conductors were increased and other wage increases have been given to various classes of the company's employees since May, 1919.

The Commission has definitely adopted the policy to recognize as operating expense all increases in labor costs and this policy will be adhered to in this proceeding. It will not be necessary in this decision to go into the details of the increases in operating expenses and the reasons for such increases. The subject is a familiar and pressing one and has been dealt with exhaustively in a number of previous decisions made by this Commission.

A careful analysis of applicant's financial condition leads to the conclusion that the margin between revenues and operating expenses is steadily growing less. This is true for the property as a whole, taking the Traction and the Key divisions together. It is also true to a lesser extent for the Traction System alone, although it is apparent that the street car operations of applicant taken by themselves are still, even with the increased operating costs, returning a profit even though this profit on a fair rate basis is less than 2 per cent. The Traction Division earnings now are, as they have been in the past, carrying the Key Division's losses. Considering the Key Division alone (and it must be remembered that it is the rates on the Key Division that we are dealing with in this decision), the point has almost been reached where the revenues are insufficient for operating expenses and taxes alone with no margin whatever for a return on any rate base.

For the property as a whole, the net income after operating expenses, depreciation and taxes, is less than 5 per cent on the rate base.

#### **Rate base.**

The interurban service given by applicant is of a strictly competitive character. It will not prove practicable to have one set of rates for the Key Route and another set for the competing Southern Pacific lines. To fix fares on a theoretical rate base without regard to this competitive condition is impracticable and is, therefore, in our opinion unsound.

It is further our conclusion that the interurban service of this company and the street car service must be considered together. And applicant would have no cause for complaint if its combined transportation operations were on a fair earning basis. It has already been pointed out that the Traction operations are carrying the Key Division's losses. It seems to us impracticable, aside from the questions of value of the service, to increase the interurban fares to a point where they would produce what might be called a fair return on the value of the Key Division property alone. We are aware that this is the claim made by

the company but it is our conclusion that this claim cannot be considered without at the same time giving consideration to the other controlling factors referred to.

A fair decision both to the public and to the company should provide for increases in fares sufficient to place this company in a position where it can render adequate and efficient service to the communities on its lines.

It has been repeatedly pointed out by this Commission that the only permanent remedy for the financial difficulties of this company is a thorough-going reorganization of its finances. As long as the Key System rests on the present unsound financial structure, it is bound to continue in financial difficulties in the future as it has in the past. The rate increases will not effect a complete or permanent remedy of this situation. If it were practicable to do so, we would make reorganization one of the conditions of this order. The value and the cost of the service rendered by the company, in our opinion, justify an increase of inter-urban fares. Even with the fares as they are now proposed, the suburban rates will still be among the lowest in the entire country. This is true if we take into consideration both the quality of the ferry and electric service rendered and also the length of haul, which for the combined ferry and rail service on the shortest line amounts to 6.7 miles, and on the longest line to 12.6 miles, with an average haul for all passengers carried of nearly 10 miles.

**Depreciation and depreciation reserve.**

In the figures of operating expenses shown heretofore, there are included for the several years varying amounts credited to depreciation reserves, increasing for the year ending December 31, 1918, to the sum of \$492,291. The applicant in 1918 made a radical change in its practices of depreciation accounting. Prior to 1918 the company charged altogether insufficient amounts against depreciation, and in a number of statements filed with the Commission the depreciation actually charged on the company's books was revised in order to reflect more accurately what in the company's opinion was the actual result of its operations year by year. In the year 1916, for instance, the actual depreciation deduction from gross income according to the annual report of the company was \$89,281.54, while in the subsequent statements that figure was increased to \$473,197 (\$204,731 for the Key property and \$268,486 for the Traction property). In 1917, the actual charge appearing in the company's annual report was \$178,070.83, while the figure was increased in the statement to \$488,607 (\$211,215 for the Key property and \$277,392 for the Traction property). The figures for 1918 were \$211,900 for the Key property and \$280,391 for the Traction property.

The matter of adequate depreciation reserves is without doubt one of the most important considerations in this proceeding. In a number of investigations in various street railway properties throughout the state which are now under way, it has become increasingly clear that one of the principal reasons for the present difficult financial situation of these properties is the fact that in the past no provision at all, or only inadequate provision, has been made for the inevitable wasting away of property from natural or other causes, that is summed up in the term "depreciation."

It is self-evident that when track and equipment wears away and must be replaced and there is no money available for such replacement, operating expenses must increase, the value of the property must dwindle, the capital account will be inflated, and, what is perhaps most important, service must deteriorate. Without exception, almost all street railway properties, not only in California but throughout the United States, are today confronting this deplorable condition.

Whatever the ultimate solution of the present day street railway difficulties may be; whether we have to come to outright public ownership or to some form of partnership between the present owners and the public on a cost of service basis; or whether private ownership and operation continues; there is no escape from this proposition: If the service is to continue, the cost of the service must be forthcoming. And this cost of service is made up of the three chief items of expense, namely, cost of operation, taxes and cost of money. Included in the cost of operation is the cost of maintaining the property and maintaining the service. Included in the cost of maintaining the property is the cost of depreciation.

We propose in this proceeding to fix such rates as will enable the company to meet for the future all of the costs of operation, including the cost of depreciation, as will provide for taxes, and as will, in addition, give such a return on the property devoted to the service of the public as seems possible under the circumstances. The depreciation allowance, therefore, which will be made in this rate fixing proceeding is a direct operating expense, exactly as the cost of power, for instance, and becomes a direct charge on the patrons of this business and consequently on the public. We propose, therefore, that in the future the amount allowed to insure against depreciation shall be actually set aside and used for that purpose only under the careful and strict supervision of this Commission. One great difficulty in the past has been that the amounts ostensibly set aside for depreciation were book figures merely and that the actual money was used for altogether different purposes. It must be clear that depreciation funds used for new construction or for addi-

tions and betterments are not available when the need for the replacement of the original property items arises. And the additions and betterments paid with such funds can not possibly be a substitute for what it is necessary to replace. As long as the credit of a utility is good and as long as there exists sufficient margin between property values and outstanding bonds, the real condition is not apparent and the financial aspect of the question is not a very serious one. Additional bonds can be issued and sold and the property can be kept intact. Operating expenses in normal times can be increased to take care of unusual replacement and requirements without great damage to net revenue. But such practices can not be considered as sound under normal conditions even, and with prosperous concerns. In the present situation confronting the street and interurban railway properties, a continuation of this course must prove disastrous.

A depreciation fund should be sufficient to allow for the replacement of such depreciable items of property at the end of a reasonable expected life as should be taken care of through the fund. What this sum should be, it is impossible to determine with absolute accuracy at this time because of necessity estimates of what will happen in the future enter into the problem. A close approximation, however, can be had. From time to time the status of the depreciation reserve should be compared with the actual depreciation of the property and the annual allowance for the fund should be either increased or decreased as actual conditions may demand.

The allowance should be neither too large nor too small. If it is too small, the property and the service will suffer. The depreciation reserve is intended to take care of the future and is not intended to provide a reimbursement for neglected renewals and maintenance in the past. Such renewals, of course, must be made, but the allowance which will be set up with inauguration of the proposed rates is intended to keep the depreciable property intact for the future only and the deficiencies of the past will have to be provided for out of surplus. We have reached the conclusion that the amounts set aside on the company's books (though it will be noted *not actually set aside*) in 1918 are too large. After segregating between depreciable and non-depreciable property and between ordinary operating expenses and such replacements as should come from a depreciation reserve, we are of the opinion that there should be set aside annually to take care of the now existing depreciable property, the sum of \$240,000. Of this amount there should be assigned to the Key property the sum of \$100,000 per year and to the Traction property \$140,000. This total sum should go into a sinking fund in monthly installments of \$20,000 and should be set aside in actual cash and invested, under the direction of this Commission. The safety of

the fund should not be sacrificed to a possible high rate of interest. We believe it is preferable to require merely that all earnings by the fund shall be added to the reserve (whatever these earnings may be) rather than to require an accounting on a strictly sinking fund basis at a definite rate of interest, irrespective of whether or not the fund actually was able to earn at the fixed rate. This method seems to us more equitable to the company because under the fixed interest rate the unearned portion of the fund would have to be made up from the company's surplus.

Disbursements from the fund are to be made only on detailed showing and on the periodical approval of this Commission.

**Proposed fares and estimated results.**

We have made a careful study of the operations of the Key Division and of the operations of the property as a whole, have considered all of the facts and circumstances and records in the case, and it is our conclusion that the applicant should be authorized to increase its fares as follows:

- (a) One-way fares on entire system between all points where the present fare is 11 cents to be increased to 15 cents.
- (b) Monthly commutation books between all points where the present fare is \$3.30 to be increased to \$4.

It is our estimate that with these fares, the applicant's revenues will be increased by approximately \$400,000 per annum. The greater percentage of this amount will be a net increase, because whatever additional operation expense increases may come, will occur regardless of the rate of fare. It is true that under these rates the company, with present and estimated operating expenses, will probably not earn more than 5 per cent on the depreciated reproduction cost of its operative Key Division property. But this rate of return is not an unreasonably low one, in our opinion, when the past history of the company, the competitive conditions and the returns from the Traction Division are taken into the calculation. The increase in earnings, we confidently believe, will be sufficient to take care of all increased operating expenses, will enable the company to set aside an actual depreciation reserve as indicated above and will make it possible in addition to secure the necessary funds to rehabilitate its track and structures where rehabilitation is necessary, and to provide for the necessary additions and betterments. We believe that with this increase, the applicant will be enabled to render an entirely efficient and adequate service to the public.

It is our opinion, as repeatedly expressed, that a financial reorganization of the company is necessary and that no permanent satisfactory operating and financial result can be obtained until such a reorganization has been made.

**ORDER.**

A preliminary order having been made by the Commission in this proceeding on June 8, 1918 (Decision No. 5473, *Opinions and Orders of the Railroad Commission*, Vol. 15, page 832); and it appearing to the Commission that supplemental order should be made, and basing this supplemental order on the findings of fact as set forth in the foregoing Opinion,

*It is hereby ordered* that the San Francisco-Oakland Terminal Railways be and the same is hereby authorized to establish within thirty days from the date of this order a schedule of rates as follows:

- (a) A 15-cent single fare between all points on applicant's lines where the single fare is now 11 cents.
- (b) Monthly commutation rates between all points on applicant's lines at \$4 per monthly commutation book where the present monthly commutation rate is \$3.30.

All other existing rates, rules and regulations now in effect on applicant's system are to remain the same.

*It is further ordered* that applicant set aside beginning with the effective date of this order, in cash as indicated in the preceding opinion, as a depreciation sinking fund, the annual sum of \$240,000 in installments of \$20,000 per month. This fund is to be held, used and accounted for under such directions and regulations as the Commission may hereafter prescribe.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this eleventh day of August, 1919.

## DECISION No. 6550.

ENGELS COPPER MINING COMPANY

vs.

GREAT WESTERN POWER COMPANY.

Case No. 1271.

Decided August 12, 1919.

**DEDICATION OF SERVICE.**—A utility having once entered a sparsely-settled territory with a very substantial investment in transmission and distribution lines, the primary purpose of which was to supply one company, and having inaugurated service to a few other small mining companies and several of the communities in the section, is faced with the proposition of having dedicated its service to the public and would be unable to withdraw from that field in the event that the primary company should cease operations.

**RETROACTIVE ADJUSTMENTS.**—In this case to make such rate adjustment would only serve to reduce defendant's revenues from this service and to thus longer postpone the time when the risk will have been fully absorbed.

Reduced rates for electric energy made effective to complainant. Defendant ordered to complete within ninety days the construction of additional facilities to provide adequate line capacity for the transmission of electricity to complainant.

*I. J. Truman, Jr., for Complainant.*

*Guy C. Earl and Chaffee E. Hall, for Defendant.*

*DEVLIN, Commissioner.*

**OPINION.**

This is a complaint brought by Engels Copper Mining Company against the service and rates for electricity charged it by Great Western Power Company.

In accordance with the order of this Commission in Decision No. 5518 in Application 3460, effective July 10, 1918, Great Western Power Company was required to cancel the special contract rate of complainant and thereafter charge it in accordance with Schedule No. 541 for power service in Plumas County, which schedule is characterized by defendant as an unduly high rate for the service. Complainant further protests against the amount of the present emergency surcharge to its bills, authorized in this Commission's order in Decision No. 5518, *supra*. Complainant seeks relief from the numerous interruptions in service to which it has been subject for a period of several years. It asks that the most favorable schedule in force on defendant's system be applied to it, and alleges in this connection that the character and extent of its load entitles it to at least as low a rate as any other power consumer.

Hearings were held in San Francisco during the latter part of March and the early part of April, 1919. Both parties submitted voluminous evidence, which has been reviewed, and the matter now awaits decision.



Complainant is engaged in the mining and milling of copper ore in Plumas County, California, and states that it has invested in its properties in excess of \$2,000,000, to which further enlargements are proposed. The present owners of the mining company acquired these properties in 1914, since which time they have been working two mines, employing between 400 and 600 men, and have built and operated mills with daily capacity of 1100 tons. In addition to their development of the mining properties they bore the major portion of the cost of the Indian Valley Railroad, extending from Engels to Paxton, connecting with the Western Pacific Railroad.

The average production of copper is about 900,000 pounds per month. In its mining, milling and incidental operations complainant uses large quantities of electric power, which has averaged during the year 1918 in excess of 1,000,000 kilowatt hours per month, with a demand approximating 1900 kilowatts. It has been supplied with electricity by defendant beginning September, 1915, since which date its consumption of electric power has steadily increased.

Prior to July 10, 1918, the rates charged complainant by defendant were based upon two successive contracts, the rates of both differing from the filed schedule of rates generally applicable to power service in Plumas County. Complainant alleges that not only is the present schedule rate excessive, but that the second contract rate to which it at one time agreed, is likewise excessive, but that it acquiesced in this contract rate only in order to obtain a supply of power. Complainant's exception to the present schedule rate is based both upon resulting cost of power to it and to the form of the rate, which involves a readiness-to-serve charge based upon connected load, and an energy charge in addition thereto. Its protest against the emergency surcharge is not to the form or principle thereof, but to the amount, which it deems excessive.

Engels Copper Mining Company is one of the largest consumers supplied by defendant herein, during the year 1918 its power bills amounting to \$172,324.44. During the three and one-half years from September, 1915, at which date service was first rendered, to and including February, 1919, defendant's revenue from this one consumer at the contract and schedule rates and surcharges in effect during this period was the sum of \$311,594.84.

The testimony of complainant shows that while the copper industry in general has been temporarily affected by the low price of copper which prevailed since November, 1918, its own operations have not been curtailed, and that it has large quantities of ore blocked out, and untouched ore reserves for at least ten years future operation; that it is now contemplating substantial improvements and investments in its

properties, which, in so far as defendant is concerned, will mean increased use of electric power in the future. The copper company's costs of operations have steadily mounted by reason of the increased cost of labor and material and its profits have been substantially reduced by both increased costs of operation and the limitation in the price of copper established by the government during the war period. The cost of electric power to it is a substantial part of its expense of operation.

From September, 1915, to November, 1917, defendant supplied the mining company with power generated at its Butt Creek power house. During the year 1917 Great Western Power Company built a 44,000-volt transmission line 60 miles in length from its plant at Las Plumas on the Big Bend of the Feather River, to Veramont, at which point it is connected with through transformers to the 22,000-volt line from Butt Creek and to a 22,000-volt line extending 10 miles further to the Engels mine. Energy is now delivered to the mining company and metered at 22,000 volts, thence reduced through transformers of 2100 kilowatts capacity owned by the mining company. Service is also supplied from Veramont substation to two other mines and several small communities in this vicinity.

The first contract entered into between the parties herein on July 1, 1915, became effective in September, 1915, with the first delivery of electricity. This continued until February 1, 1918, at which time another rate became effective in accordance with the terms of a subsequent contract dated January 25, 1917, when the mining company's load exceeded 2000 horsepower, as provided for in this second agreement. From February 1, 1918, to July 10, 1918, this second contract rate was in effect, and on July 10, 1918, the consumer was placed upon Schedule No. 541 of defendant, in accordance with which it was thereafter charged, together with the addition of the surcharge of 2 mills per kilowatt hour authorized by the Railroad Commission.

The matters presented to the Commission are clearly divisible into two parts: First, as to the character of service rendered; and, second, as to the rates charged. Evidence presented by both parties is clearly indicative of frequent and lengthy interruptions, both partial and total, in the supply of current, which are costly to complainant by reason of the enforced shutdown of its flotation tanks, mills, compressors, and other apparatus, involving the loss and curtailment of its output.

During the early period of service, when power was supplied exclusively from the Butt Creek plant, failures of power supply occurred on account of the freezing of the power plant flumes, and line interruptions due to stormy weather. Since the construction of the new transmission line from Las Plumas to Veramont, interruptions have

also occurred, both on this line and on the distribution line to the mine, particularly during periods of stormy weather, which interruptions have been particularly costly to complainant by reason of the larger extent of its operations.

The causes of the more recent interruptions have been found to be due largely to the falling of trees upon the power lines. The Las Plumas-Veramont power line and the Veramont-Engels power line both pass through heavily timbered sections and portions thereof are at a high altitude and subject, therefore, to the falling of trees and to the extreme weather conditions which prevail at certain seasons in this territory. Defendant maintained that it had exercised all reasonable engineering skill and prudence in the construction of its line as regards the clearing of trees from its right of way; that it used a heavy type of line construction as protection against the elements, and has continued to maintain engineering skill and diligence in the operation of this line, showing that it has from time to time removed trees that jeopardized the line. In spite of this it appears that frequent interruptions continued to occur.

Both parties were at variance in their ideas of the proper clearing of the timbered portions of the line and it was agreed that a joint inspection be made by representatives of both parties hereto with an engineer of the Railroad Commission. This survey was carried out during the course of the hearings herein and a report dealing with the hazardous elements of the lines was submitted on behalf of the Railroad Commission, which was concurred in by the representatives of both parties. Great Western Power Company thereupon stipulated and agreed to carry out fully the recommendations of this inspection party as to the removal of imminently dangerous trees and to clear other hazardous portions of the line, and to hereafter exercise greater care in its operation and maintenance of these lines.

In addition to difficulties resulting from interruptions of service, the Engels Copper Mining Company calls attention to the reduced voltage of defendant's supply, which in several instances, has resulted in the burning out of motors and other sources of trouble to complainant's apparatus.

From the testimony of defendant's engineer, this reduction in voltage is caused by the insufficient capacity of the power line from Veramont to the mine, which he states was designed for 1000 kilowatts and is now forced to carry nearly double this amount, with an attendant excessive voltage drop and other undesirable operating conditions. The main line from Las Plumas to Veramont on the other hand has ample capacity.

In view of the fact that the line from Veramont to Engels is operated at nearly double its normal capacity, and further, noting complainant's

expressed intention to substantially increase the size of its plant by the installation of more motors, it would appear highly desirable, and in fact necessary, for defendant to make such changes and improvements in this line as will enable it to adequately supply this consumer's present and future power requirements. I propose that the order herein shall provide for such improvement.

The rate charged in accordance with Schedule No. 541 differs by a very small percentage from the contract rate formerly in effect. The rate now paid by the mining company is shown by it to be nearly double the rates charged for similar service by other power companies operating in the northern and central portions of California, and to this extent the mining company alleges that it is handicapped in its competition with other copper producers of the state.

Complainant questions the validity of Schedule No. 541 on account of the manner and circumstances of its filing and acceptance by the Railroad Commission. At the time this schedule was filed and accepted, its rate did not apply to the Engels Mining Company by reason of the existence of the second contract rate previously referred to—in fact, but two consumers were supplied under this schedule from the time of its filing to July 10, 1918. An investigation of the circumstances under which Schedule No. 541 was filed with, and accepted and approved by, the Railroad Commission, indicates that the procedure was entirely regular and that said Schedule No. 541 became a valid rate from and after its filing.

Complainant's objection to Schedule No. 541 is based not only upon the amount of the total charge resulting from the application of this schedule to its use, but also to the form of the charge itself, and in this connection it claims that the so-called "readiness-to-serve" part of the rate is improperly based upon connected load rather than upon actual maximum demand it imposes upon the power company. Complainant is required to have installed in motors a capacity much in excess of its simultaneous power demand, and shows that the capacity of the transformers through which it receives its entire power supply is substantially less than the installed capacity of its power consuming apparatus. Complainant further shows from its graphic recording meters that its actual demand is even less than the rated capacity of its receiving transformers. I am in agreement with complainant's contention that for installations of the size and character of that of the mining company that the so-called "readiness-to-serve" charge is more properly based upon the actual demand made upon the power company rather than upon the connected load of the consumer.

Great Western Power Company, in defense of its rate schedule No. 541 and the contract rate formerly in effect, which have been pointed

out to differ but slightly in their total charges, admits that these rates are high in comparison with other schedules in effect upon its own system and in comparison with the rates charged by other electric utilities for similar service, but very clearly points out in this connection that its business in Plumas County involves a very much higher hazard and risk than does the business in other portions of its territory to which its lesser rates apply, and it claims that it should receive a higher rate to compensate for the additional hazard.

The power company undertook to serve the mining company and has continued to serve them, investing from time to time substantial sums of money in its lines, substations and other facilities in a territory very sparsely settled, and which, without the existence of such a load as that taken by the Engels Copper Mining Company, would have been clearly impossible.

The load supplied by defendant in Plumas County is confined to a limited area about its Veramont substation, to which power is delivered over a line 60 miles long running through rugged and undeveloped territory and along which there is neither business now connected nor is there any prospect of any future business developing; in fact, it is only the large consumption of electricity by the Engels Copper Mining Company that in any way justifies this 60 miles of transmission line through this territory. In this connection it may be well to note that the business of the mining company for the last four years has averaged 88 per cent of the total business of defendant in Plumas County.

Having once entered this territory with a very substantial investment in transmission and distribution lines, the primary purpose of which was to supply the mining company, and having inaugurated service to a few other small mining companies and several of the communities in this section, it is faced with the proposition of having dedicated its service to the public and would be unable to withdraw from this field in the event that the Engels Mining Company should cease operations. This, in substance, is the risk and hazard to which the power company claims its service in Plumas County is subject. The mining company on the other hand maintains that it is in every sense a going concern and past the experimental stage; that its growing development and output for the past four or five years, accompanied by large investments in its properties, and its ore reserves and other future prospects, fully entitle it to consideration as a permanent business; it contends that present conditions affecting the copper market are largely temporary, and that with the normal resumption of construction activities in this country and in Europe, sufficient improvement should occur in the copper market to enable it to profitably continue its operations, and that the element of risk on the part of defendant is entirely absent in so far as the business of the mining company is concerned.

There is merit in defendant's contention that it is entitled to compensation for the risk involved in its business of supplying electricity to Plumas County and to complainant in particular. While no definite proven figures as to its investment are available, it would be safe to estimate defendant's investment in distribution lines and facilities in this territory to be in the neighborhood of \$400,000, of which \$350,000 would be a fair pro rata used in supplying the mining company. On the other hand, the risk and hazard assumed in this service by Great Western Power Company can not be held to continue indefinitely into the future. Although this service has been established for nearly four years, the major portion of the investment involved has been in use less than two years, and the returns from this territory in this brief period of time can not be deemed to have absorbed any considerable part of the risk or hazard involved. If the complainant's business herein shall continue to the same extent as, or to a greater extent than, occurred in the year 1918, it is entirely probable that within a few years defendant's investment in this service will have showed sufficient return to warrant the conclusion that it has been entirely repaid for the risk assumed. It will be seen at once that the elimination of this factor of hazard through returns to defendant in the course of years in the future is bound up with the question of rates charged for the service, for it is the rates which will determine the income which in turn is available for the reduction of the element of risk.

While the Engels Mining Company is a substantial and going concern and has every promise of a future, I am not of the opinion that the returns from Plumas County to date have been sufficient in total to have absorbed the element of risk in supplying it. To the extent that this hazard shall continue in the future, it would appear proper that the rates charged in this territory should be in excess of those charged in other territories supplied by defendant where the element of risk is lacking because of the more stable and uniform conditions of supplying power which prevail in developed and established territory.

Great Western Power Company submits a statement purporting to show its investment in distribution lines in Plumas County and a pro rata of its production and transmission capital to this section. The figures thus submitted are derived from a valuation of the properties of defendant already submitted to the Commission, but not as yet passed upon in any form, and that can not serve as a prima facie basis for measuring the return to which defendant is entitled for service to Engels Copper Mining Company or to Plumas County as a whole. Defendant also presents a statement of the cost of service in Plumas County and the return derived therefrom from September, 1915, to February, 1919, inclusive, which, considering the fact that this period

involves the development of the territory in general and of the growth of the mining company in particular, shows such wide variations in both expense and income as to be hardly useful as a means of gauging the return from this business. In the absence of any definite figures of valuation and of normal revenue and expense, it is a matter of some difficulty to establish from defendant's records any reasonable cost attributable to this service.

Another factor to which consideration must be directed is the value of the service to the consumer aside from the risk incurred by the utility in supplying this service, and the evidence herein is fairly conclusive of the fact that the rate now charged by defendant to complainant is an excessive one, both from an absolute and from a comparative standpoint. In making comparisons, however, between this rate and other rates for similar service, I have not overlooked the difference in conditions incidental to this service as compared with the conditions under which other rates are being charged.

In establishing a rate for this service I shall have in mind both the value of the service to the consumer, the reasonable cost of supplying such service and the risk involved in this particular instance, and shall recommend that the Commission make a rate which will reflect these factors. In fixing a rate that will reimburse defendant for the risk and hazard of this particular service, it will take into account a gradual reimbursement over a period of years rather than to recompense the defendant within a short period of time. If the present rate were to be continued, it is probable that the risk would be absorbed within a very few years. The consumer's mining business is, in my judgment, sufficiently stable to encourage the belief in its future permanency, and to this extent that portion of the rate to be charged it to offset the risk should be reduced, so that, in effect, the period during which the hazard is being absorbed will be lengthened.

Complainant prays that Schedule No. 500-D should be extended to include Plumas County. If applied to the Engels mine, it would give it the benefit of the lowest available rate for such service on the Great Western Power Company's system. This schedule contemplates the sale and delivery of electricity under entirely different conditions than exist in the service of complainant, and the rates named therein, being extremely low, would not adequately compensate defendant if applied in Plumas County, on account of the risk and hazard of this particular territory as contrasted with the remaining developed and permanent territory supplied under Schedule No. 500-D. At such a time as defendant shall have been reimbursed for the risk out of revenues from proportionately higher rates in Plumas County, and other development in

Plumas County so warrants, it may be reasonably proper to apply Schedule No. 500-D thereafter.

In establishing a rate for this service I shall recommend that the same be based in part upon the actual demand of the consumer's load on the utility, rather than upon any other basis, such as connected load. The other portion of the charge will be based upon the quantity of energy used, and when combined with the demand charge will produce a total charge that will provide for both a reasonable cost of service and the gradual absorption of the risk.

The interruptions to service which have occurred in the past and which have resulted in considerable monetary loss to the complainant, suggest to it the desirability of a penalty clause in a rate so that the consumer will be compensated for his loss due to interruptions through the fault of the utility. Such a provision is generally believed to encourage the utility to exercise more care in the maintenance and operation of its lines and service. Complainant asks that this be given consideration by the Commission in establishing a rate. This, if done, would be an attempt to assess in advance the amount of liquidated damages to be paid to a consumer by a utility for an interruption of service. It is within our province to afford relief to a consumer if the consumer shall bring action against the utility subsequent to an actual failure of service. It is to the interest of the utility, both from the standpoint of income and of service, to maintain its lines and facilities to the highest degree, and the utilities have themselves constantly improved standards of service to the extent that interruptions are very infrequent. It is only under the unusual and difficult conditions, such as exist in Plumas County, that extensive failures occur. In the particular service herein considered, defendant has bound itself to exercise every reasonable means within its power to insure uninterrupted delivery of current, and under the topographic and climatic conditions in the territory through which its lines pass, it can hardly be held accountable for the interruptions due to natural causes in no way connected with the ordinary operation of its system.

The complaint asks that if the rate now charged be found improper, any adjustment thereof by the Commission be made retroactive to the extent that past excess charges it has paid defendant may be restored to it. There would be merit in this request if complainant were being charged at an excessive rate under normal conditions of service, which did not involve the risk and hazard found to be present in this instance. To make such rate adjustment retroactive would only serve to reduce defendant's revenues from this service and to thus longer postpone the time when the risk will have been fully absorbed.



To the extent that Schedule No. 541 of defendant applies to other consumers in Plumas County, under conditions in many respects similar to the Engels Mining Company, they are likewise being charged at more than a proper rate for their service. The order herein will, therefore, provide for the withdrawal of Schedule No. 541 and substitute therefor a rate which will meet the conditions above set forth.

I recommend the following form of order:

#### ORDER.

Engels Copper Mining Company having filed a complaint against the rates and service of Great Western Power Company, hearings having been held, the matter being submitted and now ready for decision,

*The Railroad Commission of the State of California hereby finds as a fact* that the present line used by Great Western Power Company to transmit electricity from its Veramont substation to the Engels Copper Mining Company is inadequate to supply the load of said mining company; that the rates and charges for electricity set forth in Schedule No. 541 of Great Western Power Company for power service in Plumas County, are not just, fair or reasonable rates, and that the rates established in the order herein are, under present conditions, just, fair and reasonable rates for said service.

Basing its order on the foregoing findings of fact and upon the other findings of fact contained in the opinion which precedes this order,

*It is hereby ordered* that Great Western Power Company shall, within ten days of the date of this order, withdraw and cancel its Schedule No. 541 for power service in Plumas County, and in lieu of the rates named in said Schedule No. 541 shall hereafter charge and collect for power service in Plumas County, under the terms and conditions of said schedule other than the rate thereof, the following rate:

#### *Demand charge.*

\$1.50 per kilowatt for the first 200 kilowatts of measured maximum demand per month.

\$1.25 per kilowatt for the next 800 kilowatts of measured maximum demand per month.

\$1.00 per kilowatt for all over 1000 kilowatts of measured maximum demand per month.

plus

#### *Energy charge.*

1 cent per kilowatt hour for the first 100,000 kilowatt hours per month.

.9 cent per kilowatt hour for the next 400,000 kilowatt hours per month.

.7 cent per kilowatt hour for all over 500,000 kilowatt hours per month.

#### *Minimum charge.*

The monthly minimum charge shall be the highest monthly demand charge billed during the preceding 12 months, but in no event less than \$50 per month.

**Maximum demand.**

The measured maximum demand shall be the highest average demand in kilowatts recorded during any 15-minute period of the month.

*It is hereby further ordered* that Great Western Power Company shall, within ten days of the date of this order, file with the Railroad Commission a schedule of the rates herein established, which rates shall become effective for all regular meter readings taken on and after the twenty-second day of August, 1919.

*It is hereby further ordered* that Great Western Power Company be, and is hereby, authorized to charge and collect, in addition to the rates established in the preceding paragraphs of this order, such emergency surcharges as this Commission shall have duly authorized from time to time for such service.

*It is hereby further ordered* that Great Western Power Company shall proceed at once with, and complete within ninety days from the date of this order, the construction of such additional facilities between its Veramont substation and the Engels Copper Mine, subject to the approval of the Railroad Commission, as shall thereby provide adequate line capacity for the transmission of electricity to Engels Copper Mining Company.

*It is hereby further ordered* that in all other respects the complaint be, and the same is hereby, dismissed.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twelfth day of August, 1919.

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**DECISION No. 6551.**

IN THE MATTER OF THE APPLICATION OF SOUTHERN CALIFORNIA EDISON COMPANY, A CORPORATION, FOR AN ORDER OF THE RAILROAD COMMISSION, AUTHORIZING IT TO ISSUE, SELL AND DELIVER FIFTY THOUSAND SHARES OF ITS COMMON CAPITAL STOCK OF THE PAR VALUE OF ONE HUNDRED DOLLARS EACH.

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Application No. 2743.

Decided August 12, 1919.

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BY THE COMMISSION.

**NINTH SUPPLEMENTAL ORDER.**

Good cause appearing,

*It is hereby ordered* that the fourth supplemental order, Decision No. 4752, as amended, in the above-entitled matter, authorizing applicant to issue 25,000 shares of its common capital stock at not less than

\$88 per share net, subject to Condition "1," as amended, which reads as follows:

"Of the stock herein authorized to be issued 5000 shares shall be offered to applicant's employees pursuant to the terms of the contract marked Exhibit "B," as amended, attached to the third supplemental petition in this proceeding. The balance of the 25,000 shares herein authorized to be issued, not subscribed for by applicant's employees, shall be offered to the general public pursuant to the contracts marked Exhibits "C" and "D," and attached to the third supplemental petition in this proceeding."

be, and the same is, hereby construed so as to permit applicant to sell its stock on any basis at \$88 cash net per share, as well as under the terms of Exhibits "C" and "D."

Dated at San Francisco, California, this twelfth day of August, 1919.

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DECISION No. 6569.

IN THE MATTER OF THE APPLICATION OF SAN JOSE WATER WORKS,  
A CORPORATION, FOR PERMISSION TO BORROW TEN THOUSAND  
DOLLARS TO PAY OUTSTANDING NOTE FOR SAME AMOUNT.

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Application No. 4750.

Decided August 13, 1919.

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*H. S. Kittredge*, for Applicant.

LOVELAND, *Commissioner*.

**OPINION.**

San Jose Water Works asks permission to issue to the Bank of San Jose a 6 per cent \$10,000 note.

The record shows that Miss M. W. Williams holds a note against the San Jose Water Works for the sum of \$10,000, that the note held by her is dated February 1, 1918, that she requests payment of the note and that applicant has made arrangements to borrow \$10,000 from the bank of San Jose for the purpose of paying the note due Miss M. W. Williams.

H. S. Kittredge, secretary of the San Jose Water Works, testified that the \$10,000 borrowed from Miss M. W. Williams was used to pay for permanent improvements and that the company intends within the near future to refund this indebtedness through the issue of common stock.

I herewith submit the following form of order:

**ORDER.**

San Jose Water Works having applied to the Railroad Commission for permission to issue a \$10,000 note, a public hearing having been

held and the Commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose or purposes specified in the order, and that the expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income,

*It is hereby ordered* that San Jose Water Works be, and it is hereby, granted authority to issue, at not less than the face value thereof and for a term of one year or less, a 6 per cent \$10,000 note, and use the proceeds obtained through the issue of such note to pay the \$10,000 note due Miss M. W. Williams and referred to in the petition herein.

The authority herein granted is upon the following conditions, and not otherwise:

1. If applicant issues the note herein authorized for a term of less than one year, it may renew such note from time to time, provided that the term of the original note issued pursuant to the authority herein granted and the term or terms of the notes issued in renewal thereof do not in the aggregate exceed one year.

2. Within thirty days after the issue of the note herein authorized, applicant shall file with the Railroad Commission a copy of such note.

3. The authority herein granted shall not become effective until applicant has paid the fee prescribed by the Public Utilities Act.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this thirteenth day of August, 1919.

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DECISION No. 6570.

IN THE MATTER OF THE APPLICATION OF E. HALL TO SELL AND OF SOUTHERN CALIFORNIA GAS COMPANY TO BUY, CERTAIN PROPERTY IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA; AND OF SOUTHERN CALIFORNIA GAS COMPANY FOR CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY TO EXERCISE CERTAIN FRANCHISES GRANTED BY THE BOARD OF SUPERVISORS OF THE COUNTY OF LOS ANGELES.

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Application No. 4816.

Decided August 13, 1919.

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BY THE COMMISSION.

**PRELIMINARY ORDER.**

Application having been made to the Railroad Commission for authority to transfer to Southern California Gas Company the properties and gas system generally known as the Consumers Gas System,

and which serves gas for domestic and other uses to the inhabitants of Bellflower, Downey, Norwalk, Artesia and other towns and valleys in the county of Los Angeles as is more particularly described in Exhibit "A," attached to the petition herein, and application also having been made to exercise certain rights and privileges under franchises granted by the board of supervisors of Los Angeles County, and the Commission being of the opinion that the \$15,000 offered for the properties by the Southern California Gas Company is a reasonable price and that under the facts and circumstances of this case a preliminary order authorizing the transfer of the properties can be made in this proceeding without a hearing, it being understood that such order in no way commits the Commission to grant the certificate of public convenience and necessity applied for, now, therefore,

*It is hereby ordered* that E. Hall be, and he is hereby, authorized to sell and transfer on or before December 15, 1919, to Southern California Gas Company for the sum of \$15,000 the properties described in Exhibit "A," attached to the petition herein, provided that Southern California Gas Company within sixty days after the transfer of the properties herein authorized will file with the Commission a verified copy of the instrument of conveyance; and provided, further, that the price referred to will not be urged before this Commission or other public body as a measure of value of said properties for rate fixing or any purpose other than the transfer herein authorized.

Dated at San Francisco, California, this thirteenth day of August, 1919.

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DECISION No. 6571.

IN THE MATTER OF THE APPLICATION OF SUTTER-BUTTE CANAL COMPANY, A CORPORATION, FOR PERMISSION TO SELL REFUNDING SIX PER CENT SINKING FUND GOLD BONDS HAVING A FACE VALUE OF EIGHT HUNDRED THOUSAND DOLLARS.

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Application No. 4272.

Decided August 16, 1919.

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BY THE COMMISSION.

**SECOND SUPPLEMENTAL ORDER.**

Sutter-Butte Canal Company having reported to the Commission that it has sold the \$75,000 of bonds referred to in Condition "3" of the order in Decision No. 6034, dated December 28, 1918, and having filed with the Railroad Commission a statement showing that it has incurred construction expenditures aggregating \$87,277.06, and the engineering department of the Commission having reported that the

expenditures are reasonable, and proper charges on capital account; now, therefore,

*It is hereby ordered* that Sutter-Butte Canal Company be, and it is hereby, granted authority to use the proceeds obtained from the sale of \$75,000 of bonds, referred to in Condition "3" of the order in Decision No. 6034, dated December 28, 1918, to pay in part for the construction of the improvements described in the statement, filed on August 11, 1919, in the above-entitled matter.

*It is hereby further ordered* that the order in Decision No. 6034, dated December 28, 1918, as amended, shall remain in full force and effect, except as modified by the second supplemental order.

Dated at San Francisco, California, this sixteenth day of August, 1919.

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DECISION No. 6572.

IN THE MATTER OF THE COMMISSION'S INVESTIGATION INTO THE PRACTICES OF GEORGE S. MONTGOMERY, OPERATING A WATER SYSTEM IN CAZADERO AND VICINITY, UNDER THE FICTITIOUS NAME OF CAZADERO WATER WORKS, AND THE INTEREST AND RESPONSIBILITY OF GEORGE S. MONTGOMERY AND J. C. HOLTE, OR EITHER OF THEM, HEREIN.

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Case No. 1353.

Decided August 16, 1919.

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A utility, which believes its revenue is inadequate, can at any time apply to the Commission for an increase in rates, but as evidence of good faith must first supply adequate service to consumers.

*F. A. Berlin*, for George S. Montgomery and J. C. Holte.

*Frank J. Schneider*, in propria persona.

BY THE COMMISSION.

**OPINION.**

Numerous informal complaints having been made to this Commission by consumers receiving their water supply from the system known as Cazadero Water Works, that those responsible for its operation have neglected and refused to deliver an adequate supply of water, and it appearing that public necessity required a hearing in the matter on less than ten days' notice, the Commission instituted an investigation on its own motion.

Public hearings were held in Cazadero on August 7, 1919, and in San Francisco on August 12, 1919.

Testimony conclusively showed that on numerous occasions during the present year certain consumers have received inadequate service and at times have been entirely without water. It also appeared that subsequent to an inspection by one of the Commission's engineers a concrete

dam was constructed on St. Elmo Creek and that service has thereby been materially improved.

Testimony by J. C. Holte, the superintendent of the system, and by the Commission's engineer, indicates that further improvement of the system is necessary to furnish an adequate supply in the summer months when the number of consumers is very much larger than during other portions of the year. It is evident that further cleaning and development of the Buckeye and Hotel springs, including repair of the concrete intake at Hotel Spring to prevent the escape of water under the walls, is required; that a tank of not less than 5000 gallons capacity should be installed below Hotel Spring for storage purposes and to provide for the removal from the water of material which clogs the pipes; that removal, cleaning and replacing the transmission pipe lines between the springs, St. Elmo Creek intake and the town is required in order to remove material which has clogged the lines; that the present one-inch pipe in the transmission mains should be replaced with pipe of not less than one and one-half inch diameter; that all pipe lines be covered to a sufficient depth to prevent freezing, and that the work of repairing leaks in the pipes, now in progress, be continued until completed.

Testimony shows that Mr. Holte has made every effort, since he assumed charge in March, 1919, to put the water system in first-class condition but has been greatly hampered by the neglect of Mr. Montgomery, the owner, to furnish the necessary funds. It was claimed that the revenues from the sale of water are not sufficient to cover the cost of the necessary improvements, but such a contention has little weight. A utility, which believes its revenues inadequate, can at any time apply to the Commission for an increase in rates, but as an evidence of good faith must first supply adequate service to consumers.

#### ORDER.

This Commission, having instituted an investigation, on its own motion, in the above-entitled proceeding, public hearings having been held thereon, and the Commission being fully informed in the matter,

*It is hereby found as a fact* that the service furnished to consumers by George S. Montgomery, operating a water system in Cazadero and vicinity, under the fictitious name of Cazadero Water Works, has been inadequate and insufficient and that additional improvements are necessary to guarantee adequate service to consumers during the summer months, and basing its order upon the foregoing finding of fact and upon the further findings contained in the preceding opinion,

*It is hereby ordered* that George S. Montgomery file with this Commission, for its approval, within thirty days from the date of this

order, detailed plans and specifications for the improvements outlined in the preceding opinion.

*It is hereby further ordered* that after the Commission's approval of said plans and specifications, George S. Montgomery begin at once and complete before March 1, 1920, the improvements herein ordered.

Dated at San Francisco, California, this sixteenth day of August, 1919.

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DECISION No. 6573.

IN THE MATTER OF THE APPLICATION OF THE YOLO WATER AND  
POWER COMPANY FOR AUTHORITY TO EXECUTE A DEED.

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Application No. 4867.

Decided August 16, 1919.

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BY THE COMMISSION.

**ORDER.**

The Yolo Water and Power Company having applied for authority to execute a deed by the terms of which it conveys to Emma J. Thompkins certain rights, among which are:

The right to divert water from the waters of Cache Creek in Lake County along the line of a certain parcel of land belonging to applicant and containing 14.90 acres, more particularly described within the said deed, copy of which is attached to the application and marked "Exhibit A," said water to be used for household, domestic, stock and irrigation purposes on that certain piece of land belonging to Emma J. Thompkins, containing 305.48 acres, less the 14.90 acres of applicant which lie within its boundaries, more particularly described in said deed;

The right to construct upon said land of applicant all necessary ditches, conduits and structures, except dams across Cache Creek, for diverting said waters for the above stated uses;

And the right to take water from Clear Lake and conduct it through Cache Creek or otherwise, but only at such times as there is not sufficient water in Cache Creek;

And it appearing to the Railroad Commission that a public hearing in the above-entitled matter is not necessary,

*It is hereby ordered* that the application be, and the same is hereby, granted.

Dated at San Francisco, California, this sixteenth day of August, 1919.



## DECISION No. 6575.

McEWEN BROS., A CORPORATION,

vs.

FRED MEYERS.

Case No. 1275.

Decided August 16, 1919.

Because one company gives inadequate service another company is not justified in extending its service to consumers, thus duplicating service, because consumers always have the remedy of complaining to the Commission when service conditions become bad.

*Harold R. McKinnon*, for Complainants.

*C. A. Odell*, for Defendant.

By THE COMMISSION.

**OPINION.**

The complaint alleges that for a number of years complainant furnished water to houses Nos. 404 and 412 South Sixteenth street, Richmond, but that defendant on or about September 1, 1918, without permission from complainants or the Railroad Commission, ran a pipe line to the rear of these houses and is now supplying them with water. The prayer is that defendant be required to discontinue service and remove his pipe line from territory served by complainants.

The answer admits the service, and claims the right to serve by virtue of a county franchise granted prior to the incorporation of the city of Richmond; and alleges that complainant has never obtained a franchise and is not entitled to an exclusive or any other right to supply water to the premises in question.

Public hearings were held by Examiner Westover in Richmond.

The parties to the action are serving water for domestic purposes in adjoining territory in Richmond. The premises in question are located on the east side of Sixteenth street near Virginia street. The lots extend in the rear to the east line of the subdivision known as Griffins and Watrons Subdivision.

By agreement dated November 16, 1918, the owners of the tract arranged with complainants, McEwen Brothers, owners of a subdivision lying to the west, to extend 2-inch mains over the Griffins and Watrons Subdivision, from the system by which the McEwen property was served, the latter property to have preference in service.

Service by McEwen Brothers to one of the houses began in 1909, and to the other about 1912. Such service continued until about September 1, 1918. Both these consumers testified that water for several years was brackish and served under very poor pressure, especially in the summer time. For several years both consumers tried to induce the

defendant to serve them, but until September 1, 1918, he declined to do so, stating that the cost of the necessary extension was prohibitive.

Complainants admit that their wells were impregnated by salt water which seeped in from the bay, owing to dredging operations in the vicinity. This condition they claim was remedied by sinking new wells. The pressure was improved by installing new mains in 1917. The premises in question can now be served by McEwen Bros. from a tank about 2700 feet distant and 48 feet high.

The consumers affected never asked the Commission for relief against the service conditions complained of, and defendant never sought the authority of the Commission to extend his service. When service conditions became bad the consumers affected should have complained to the Commission, which would have immediately taken steps to require adequate service. This remedy is open to consumers at any time in the future.

In view of the improvements made by complainant in its system, it apparently can now furnish to the consumers in question the high standard of service which the Commission requires from public utilities in general; and an opportunity should be given it to demonstrate that it can do so. If this can not be demonstrated within a reasonable time, the Commission will entertain an application by defendant for leave to serve the premises in question. Meanwhile his said service should be discontinued, but his pipes may remain.

Defendant places considerable reliance upon the circumstance that he received a county franchise authorizing him to use the streets, roads and highways for the purpose of laying pipes and mains to serve water, and that complainant did not. It does not appear, however, that an attempt was made to give him an exclusive privilege for that purpose. Complainant laid pipes and serves water under the constitutional franchise contained in section 19, article XI of the Constitution.

#### ORDER.

Public hearings having been held in the above-entitled case, evidence having been taken and the case being submitted and now ready for decision,

*It is hereby ordered* that defendant discontinue service to houses Nos. 404 and 412 South Sixteenth street, Richmond, within twenty (20) days from date hereof, but that his pipes by which said houses are served remain in place until the further order of the Commission.

*It is hereby further ordered* that complainants serve water to the above-described premises immediately defendant ceases such service and that adequate service be maintained at all times by complainants.

Dated at San Francisco, California, this sixteenth day of August, 1919.

## DECISION No. 6576.

IN THE MATTER OF THE APPLICATION OF MRS. J. S. HAMILTON  
(OWNER OF THE INVERNESS WATER WORKS) FOR AN ORDER  
INCREASING RATES.

Application No. 4652.

Decided August 16, 1919.

*Chickering & Gregory*, by *W. C. Fox*, for Applicant.  
*Almeric Corhead*, in *propria persona* and for certain consumers.

BY THE COMMISSION.

**OPINION.**

Mrs. J. S. Hamilton, operating a water system supplying domestic water in and about Inverness, Marin County, applies for an order authorizing an increase in rates.

A public hearing upon the application was held by Examiner Westover at Inverness.

The system in question was installed twenty years or more ago by Mrs. Hamilton to furnish water to a portion of the townsite of Inverness, subdivided by her from a part of her large ranch. The water system was sold by her about 1906 and again acquired by her in 1913. A large part of the pipe system was renewed and enlarged when she took it back, as the system had been neglected. Some of the complaints of service hereafter referred to relate to the period when Mrs. Hamilton was not operating the system.

All of the water is produced by gravity, being diverted from two small streams on the ranch and conveyed through 6925 feet of 3-inch, 4-inch and 6-inch transmission mains to redwood storage tanks, with a total capacity of 32,000 gallons. The water is distributed through 18,040 feet of standard screw pipe and steel casing, mainly 2-inch and 4-inch, to 114 service connections. There are 94 consumers, of whom 33 are permanent residents, and the remainder summer visitors, or those who make occasional week-end visits to Inverness.

Applicant has not kept systematic accounts showing the cost and operation of the system and it has proven impossible for her to segregate the items from her books showing ranch accounts. It is necessary, therefore, to depend entirely upon estimates. Her counsel announced at the hearing that the estimates of cost of structures and of operation prepared by the Commission's engineers were so nearly those of an engineer employed by applicant, that they would adopt the figures of our engineers and therefore offer no engineering testimony.

Applicant's counsel, however, urges that \$1,050 be added to the appraisal, as the value of about 21 acres of real estate used and useful for protecting the sources of water supply. This ground lies in the

two steep canyons above the springs but has not been fenced or set apart for water use. The springs are protected from cattle on the ranch by heavy brush on the slopes and apparently do not need other protection at this time nor need land be segregated for this purpose. The areas referred to were not shown to be used and useful at this time.

Mr. H. A. Noble, one of the Commission's assistant hydraulic engineers, prepared and submitted in evidence an estimate of reproduction cost new of the system which aggregates \$11,207, based on average unit prices prevailing for five years prior to 1917. He computes the annuity necessary to cover depreciation at \$225.45 per year, and cost of maintenance and operation at \$950 per year.

The annual charges which should be produced by rates are therefore as follows:

Maintenance and operation, including legal and engineering fees---	\$950 00
Depreciation -----	225 00
Return on investment-----	785 00
Total annual charges-----	\$1,960 00

The gross income for 1918, based on 113 services at \$12 and one hotel at \$60, totaled \$1,416.

The rates found in the order it is estimated will produce sufficient revenue to cover the above annual charges.

Consumers attending the hearing expressed the general sentiment that there would be no objection to a reasonable increase in rates, provided they received high class service. As we have said before, the Commission will require such service in all instances. The utility should have a rate sufficient to fairly compensate for such service, if the resulting rate is reasonable. A majority of the consumers some time ago joined in executing a document acquiescing in an increase to \$15 in the present annual charge of \$12.

Considerable complaint developed at the hearing as to service, particularly during the period of abnormal water shortage in 1918. The testimony shows that during the 1918 season the storage tanks were frequently drained by heavy consumption during the night, and that consumers on higher levels would be without water for relatively short periods during the morning and evening hours of heaviest draft, when water is most needed for domestic use and irrigation of lawns and gardens. The draining of the storage tanks during the night suggests carelessness or waste on the part of some consumers in leaving faucets open.

Service this season appears to be generally satisfactory, with sufficient water developed to meet the present needs of the community, if properly conserved and distributed. We are advised that since the hearing applicant has voluntarily installed an additional storage tank

of 10,000 gallons capacity on a high level, thereby assuring an adequate supply and service to the consumers in that zone, one of whom complained at the hearing.

To guard against a possible future shortage, applicant proposes to build a trail in what is known as the "Second Valley" on her ranch to bring in an additional supply from the creek flowing therein. This trail would afford a place for laying pipe if this becomes necessary, but she does not wish to divert the water nor lay the pipe until additional water is needed, and it appears from the testimony that the present situation does not justify this additional investment, which would result in an increase in the rate base upon which present consumers should pay a return in rates.

#### ORDER.

Mrs. J. S. Hamilton having applied to the Railroad Commission for authority to increase rates to be charged for the service of domestic water in and about Inverness, Marin County, and a public hearing having been held thereon and the Commission being fully advised,

*The Railroad Commission hereby finds as a fact* that the present rates charged by Mrs. J. S. Hamilton, doing business under the name of Inverness Water Works, are unreasonable and noncompensatory, but that the rates hereinafter in this order set forth are just and reasonable rates, and basing its order upon said finding of fact and upon the findings of fact contained in the opinion preceding this order,

*It is hereby ordered* that Mrs. J. S. Hamilton, doing business under the fictitious name of Inverness Water Works be, and she is hereby, authorized to file, within twenty (20) days from date and to charge and collect the following schedule of rates to apply to all service after September 1, 1919:

#### *Flat Rates.*

Annual charge, payable in advance January 1, each year..... \$15 00

#### *Metered Rates.*

Minimum annual charge, payable in advance, for which consumer will be entitled to 600 cubic feet each month of the year covered by the payment.....	15 00
Excess water used, payable monthly, per 100 cubic feet.....	25

*It is hereby further ordered* that applicant, within twenty (20) days, prepare and file with the Commission for acceptance, to become effective when approved, rules and regulations governing service on her system; this schedule to include a rule under which meters may be installed at the option of applicant or any consumer, and a rule limiting the hours during which water may be used for irrigation.

*It is hereby further ordered* that applicant render high class service of sufficient water under adequate pressure.

Dated at San Francisco, California, this sixteenth day of August, 1919.

## DECISION No. 6577.

IN THE MATTER OF THE APPLICATION OF CORTE MADERA WATER  
COMPANY TO INCREASE RATES.

Application No. 4401.

TOWN OF CORTE MADERA

vs.

F. A. WILSON, DOING BUSINESS UNDER THE FIRM NAME AND STYLE  
OF CORTE MADERA WATER COMPANY, DOHERTY COMPANY, A  
CORPORATION, AND BRADBURY ESTATE INVESTMENT COMPANY.

Case No. 1309.

Decided August 16, 1919.

The Public Utilities Act places the obligation to render high-class service upon owners  
of water systems as well as those controlling, managing and operating them.

*John J. Mazza*, for Complainant.*F. A. Wilson*, in propria persona.*E. L. Doherty*, for Doherty Company.*Goodfellow, Eels, Moore & Orrick*, by *J. C. Goodell*, for Mary M. Bradbury.

BY THE COMMISSION.

## OPINION.

The complaint alleges that defendant F. A. Wilson, doing business under the name and style of Corte Madera Water Company, is now and long has been operating a public utility water distributing system, furnishing water for domestic uses within the town of Corte Madera, Marin County; that each of defendants own an interest in the system, the nature and extent of which interest is unknown to the complainant; that the tanks are broken and dilapidated, by reason of which it will be impossible during the summer months to furnish water; that when the springs now furnishing water become dry defendants intend to take water from wells in the town of Larkspur, which during the dry season from May to November are polluted, unsanitary and not fit for domestic use; that the system is connected with the 18-inch mains of Marin Municipal Water District, passing through the town of Corte Madera; that its water is wholesome and sufficient in quantity; that the neglect and lack of repair complained of is due to conflicting interests of the respective owners, and a lack of agreement between them as to the proportions in which the obligation to serve the public should be borne. The prayer is that the Commission determine which of defendants is chargeable with the duty of furnishing water; that it order the system repaired and put in condition to furnish a sufficient supply of wholesome water, and that it grant general relief.

The answer of Mary M. Bradbury alleges that defendant, the Bradbury Estate Investment Company, was formerly a corporation, but

was dissolved by decree of the Superior Court December 20, 1917; that on April 24, 1917, it sold to E. L. Doherty all of its interest in the water system situated in the towns of Larkspur and Corte Madera, except the pipes and equipment on the property occupied by Mrs. Bradbury in Corte Madera as her residence; that on August 1, 1910, said estate executed a lease of said system to defendant Wilson and that the estate has not operated said system at any time since said August 1, 1910. The prayer is that the complaint be dismissed as to Bradbury Estate Investment Company. At the hearing a motion to the same effect was submitted with the case. No answer was filed by defendants Wilson or Doherty Company, but at the hearing they practically admitted the allegations of the complaint.

The application to increase rates alleges that because of increased cost of labor, materials, power and water purchased from Marin Municipal District, applicant's revenue is insufficient to provide maintenance, operation and depreciation charges upon the system which consists of about five miles of mains, varying from 3-inch to 4 inches in diameter, and supplying about 85 services.

A public hearing in both proceedings was held before Examiner Westover at San Francisco, at which by stipulation both matters were consolidated for hearing and decision.

Most of the services in question are located in what is known as Corte Madera Woods, a subdivision placed on the market in 1911 by E. L. Doherty, who installed pipes and services at his own expense as part of the improvement of the subdivision. He did not directly operate the system, but arranged orally with Mr. Wilson to supply water to purchasers of lots in his subdivision and collect rates.

He has operated the system ever since, except that it was operated by the town for three months expiring September 20, 1918. Both Wilson and Doherty have made improvements and additions to the system.

The Bradbury system, as alleged in Mrs. Bradbury's answer, was leased to Mr. Wilson August 1, 1910; title is at the present time in Mary M. Bradbury; neither she nor her husband during his lifetime operated the system after August 1, 1910; but the pipe system, together with 1.8 acres of land on which is located the well complained of, is under contract of sale to E. L. Doherty, dated April 24, 1917, under which Mr. Doherty received and retains possession of the property.

It appears from the testimony and from the admission of the parties that the service at times has been poor, particularly during the summer season when it is most needed because of shortage of water and large influx of summer visitors. There are times when some of the consumers

at the higher elevations are entirely without water. This condition must be effectively corrected at once.

The system involved in the present proceedings lies to the westerly of the Northwestern Pacific Railroad, a large portion of it being upon abrupt wooded hills and serving consumers at elevations ranging from nearly sea level to about 900 feet above sea level. Water during the winter is developed from springs and stored in three 10,000-gallon wood stave tanks at an elevation of about 443 feet above sea level, from which most of the system is served by gravity; and from which water for the remainder of the system is pumped to a wood stave tank at an elevation of about 920 feet above sea level.

The Marin District serves in this territory at present by gravity only, and its water can be supplied by gravity only at elevations 260 feet above sea level and lower. From this point Marin water must be pumped to the tanks at about 443 feet elevation, and from that point again pumped to the tank at about 920 feet elevation.

The testimony concerning the group of three tanks shows that foundations of two of them are in very bad condition so that one is entirely out of service and the other will hold only about two feet of water; and that the one on the highest elevation will hold but little water because the staves are badly shrunk through lack of pumping facilities to keep the tank filled.

The pump used to lift water to the three tanks is in such a poor state of repair that it supplies only a small part of its capacity. The parties all agree that the foundations for the tanks should be reconstructed and the tanks repaired, that the pumping capacity should be increased and that automatic electric control should be installed so that the tank will always be kept filled. It was estimated that these installations and repairs would cost about \$800 to \$1000.

These improvements have not been made heretofore because the parties were uncertain as to who was responsible for them, and lack of means to pay for them. The order herein provides rates which will justify the necessary investment, and upon which we anticipate that the needed money therefor can be procured.

The Public Utilities Act by sections 2 (*w*), 2 (*x*), 2 (*bb*), 13 and other sections, places the obligation to render high-class service upon owners of water systems as well as those controlling, managing and operating them.

If it is the desire of the parties that the public utility property or parts thereof should be conveyed or leased, suitable application for such authority should be made to the Commission under section 51 of the Public Utilities Act, which makes unauthorized transfers void.



It was agreed at the present hearing by the parties that water would not in the future be served from the wells complained of, or any wells at Larkspur, but that water which could not be supplied by the springs would be supplied from the mains of Marin Municipal Water District, as demanded by consumers. In the spring of 1919, the rates of the Marin District were increased about 25 per cent, which complainant and consumers realize will increase the cost of water purchased by defendants and be reflected in their rates.

The present monthly rates which were established by Decision No. 4190 of March 19, 1917 (See Volume 12, Opinions and Orders of the Railroad Commission, page 704), are approximately those which were in force by Marin Municipal Water District at the time of the hearing in 1917, with which all parties expressed satisfaction at that time. The rate schedule is as follows:

Minimum monthly charge, including 280 cubic feet or less.....	\$1 00
For the next 220 cubic feet per 100 cubic feet.....	35
For the next 500 cubic feet per 100 cubic feet.....	25
For amounts over 1000 cubic feet per 100 cubic feet.....	20

The following tabulation of the operating expenditure and income of the system is taken from the annual reports filed with the Commission:

	1915	1916	1917	1918	1919*
Lease† .....	\$372 00	\$372 00	\$219 00	\$183 00	\$180 00
Water purchased .....	25 00	180 00	510 00	465 72	65 00
Power .....	80 10	66 45			500 00
Miscellaneous .....	180 00	145 00	150 00	159 69	190 00
Superintendent .....				300 00	360 00
<b>Totals</b> .....	<b>\$657 10</b>	<b>\$763 45</b>	<b>\$879 00</b>	<b>\$108 41</b>	<b>\$1,295 00</b>
<b>Income</b> .....	<b>1,529 15</b>	<b>1,587 05</b>	<b>1,747 75</b>	<b>1,158 40</b>	

\*Estimated.

†This item reported by Mr. Wilson as above has heretofore been considered by the parties as rental of the system.

In 1919 expenditure is estimated and represents the annual charges properly chargeable against the present consumers. The present cost of superintendence can be reduced by installation of automatic devices for the control of pumping machinery. The amount estimated for this item is based on such an installation. The Marin Municipal Water District increase in rates will increase expenditure for water purchased except for a few months during the winter when spring water is available. Allowance has been made for the increased use and cost.

The rates set out in the order are estimated to return to applicants at least the annual charges estimated above, and are based upon the water use of 1918, as submitted by applicant. They can only be justified by excellent service, which must be assured before they become effective.

**ORDER.**

Public hearings having been held in the above-entitled case and the matter having been submitted and now ready for decision,

*It is hereby found as a fact* that F. A. Wilson, Doherty Company, E. L. Doherty and Mary M. Bradbury own, and F. A. Wilson operates the water system at Corte Madera, Marin County, known as Corte Madera Water Company.

Basing its order upon the above finding of fact, and upon all the findings of fact contained in the opinion preceding this order,

*It is hereby ordered* that F. A. Wilson, Doherty Company, E. L. Doherty and Mary M. Bradbury, owning and operating the said water system, within thirty days repair all their storage tanks and foundations thereof, increase pumping capacity by repairing present pumps or installing additional or substituted pumping equipment, and install automatic electric control for regulating the water level in all storage tanks.

*It is hereby further ordered* that until the further order of the Commission, the water hereafter served through said system be obtained only from Marin Municipal Water District or the springs of applicants.

*It is hereby found as a fact* that the rates hereinafter set forth are just and reasonable rates, and that the present rates of said Corte Madera Water Company are noncompensatory and unreasonable; and basing its order upon the above findings of fact and upon all the findings of fact contained in the opinion preceding this order,

*It is hereby ordered* that said F. A. Wilson, Doherty Company, E. L. Doherty and Mary M. Bradbury, owning and operating the water system at Corte Madera, Marin County, under the fictitious name of Corte Madera Water Company, be and they are hereby authorized and empowered to hereafter charge and collect the following schedule of monthly rates for water served from said system, upon compliance with the conditions hereinafter set forth:

*Rate Schedule.*

Initial annual charge, per year per service, including 200 cubic feet per month for the first six months.....	\$6 00
Monthly minimum for subsequent months, including 200 cubic feet of water per month.....	1 00
For next 800 cubic feet per 100 cubic feet.....	40
All over 1000 cubic feet per 100 cubic feet.....	30

*Monthly Fire Hydrant Rental.*

For service through 20 hydrants or less.....	\$22 50
For service through each additional hydrant installed.....	50

This authority to increase rates is granted upon the condition that the improvements herein ordered be first installed; that supplemental order be entered herein reciting that fact; and that schedule of said rates be first filed, as required by law.

Dated at San Francisco, California, this sixteenth day of August, 1919.

## DECISION No. 6578.

IN THE MATTER OF THE APPLICATION OF EAST SIDE CANAL  
AND IRRIGATION COMPANY, A CORPORATION, FOR AN ORDER  
AUTHORIZING THE ISSUE OF NOTE OR OTHER EVIDENCES OF  
INDEBTEDNESS.

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Application No. 4810.

Decided August 16, 1919.

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*McWilliams & Hatfield*, by *Geo. J. Hatfield*, for Applicant.

LOVELAND, *Commissioner*.

**OPINION.**

East Side Canal and Irrigation Company asks permission to issue a note for \$4,000, payable on or before three years after date, together with interest at not to exceed 8 per cent per annum.

The record shows that applicant intends to construct a permanent dam at the head of its canal on the San Joaquin River. The structure proposed is to consist of a foundation of 10-inch by 10-inch timbers on 10-inch by 10-inch piling driven into firm material, floored and with a collapsible weir crest capable of raising the water four feet, erected thereon. Heretofore, applicant has always used a temporary sand dam for the diversion of water from the river into its canal. The average cost of constructing this sand dam was from \$250 to \$300 per year. It required from five days to two weeks to construct the dam and necessitated an interruption of service for that time. Through the construction of a permanent collapsible weir, as contemplated, applicant reports that it will be able to erect an effective diversion dam across the river in a few hours and without any interruption of service. The record clearly shows that the construction of the improvement will be beneficial to the consumers of the East Side Canal and Irrigation Company.

George G. Hatfield, president of the East Side Canal and Irrigation Company, testified that while the cost of the dam and improvements was estimated at \$4,000, it was not the intention of the company to borrow more money than absolutely necessary to pay for the construction of the dam and the improvements.

The note which applicant intends to issue will not constitute a lien on the properties of the company.

I herewith submit the following form of order:

**ORDER.**

East Side Canal and Irrigation Company having applied to the Railroad Commission for permission to issue a note, a public hearing having been held and the Commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose or purposes specified in this order,

and that the expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income.

*It is hereby ordered* that East Side Canal and Irrigation Company be, and it is hereby, authorized to issue, on or before December 15, 1919, for not less than the face value thereof a note for \$4,000 or less, payable on or before three years after date, together with interest at not to exceed 8 per cent per annum, and use the moneys obtained through the issue of said note to pay for the construction of the dam and improvements described in the petition herein; provided,

1. That applicant will file within thirty days after the issue of the note herein authorized a copy of said note and a detailed statement of the cost of building the dam and improvements referred to herein within thirty days after their completion;

2. That the authority herein granted will not become effective until applicant has paid the fee prescribed by the Public Utilities Act.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this sixteenth day of August, 1919.

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DECISION No. 6590.

IN THE MATTER OF THE APPLICATION OF SOUTHERN CALIFORNIA EDISON COMPANY FOR ORDER AUTHORIZING APPLICANT TO GUARANTEE BONDS OF SHAVER LAKE LUMBER COMPANY, A CORPORATION.

Application No. 4720.

IN THE MATTER OF THE APPLICATION OF SOUTHERN CALIFORNIA EDISON COMPANY FOR A CERTIFICATE THAT PRESENT AND FUTURE PUBLIC CONVENIENCE AND NECESSITY REQUIRE THE ACQUISITION, FOR PURPOSES OF A RESERVOIR SITE AND HYDROELECTRIC POWER DEVELOPMENT BY APPLICANT, OF CERTAIN PROPERTIES, AND APPURTENANCES AND ATTACHMENTS, NOW OWNED BY FRESNO FLUME AND LUMBER COMPANY AND SITUATED IN FRESNO COUNTY, CALIFORNIA.

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Application No. 4724.

Decided August 16, 1919.

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BY THE COMMISSION.

**FIRST SUPPLEMENTAL ORDER.**

Good cause appearing,

*It is hereby ordered* that Southern California Edison Company be, and it is hereby, granted authority to guarantee the payment of \$1,150,000 of 5 per cent serial bonds of Shaver Lake Lumber Company, either upon the basis described in the opinion in Decision No. 6496, dated July 16, 1919, or upon the basis mentioned in the supplemental

petition filed August 4, 1919, to wit, a direct deed from Fresno Flume and Lumber Company of the reservoir site, to Southern California Edison Company, the remainder of the property to be deeded to Shaver Lake Lumber Company.

*It is hereby further ordered* that the order in Decision No. 6496, dated July 16, 1919, shall remain in full force and effect, except as modified by this first supplemental order.

Dated at San Francisco, California, this sixteenth day of August, 1919.

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DECISION No. 6592.

IN THE MATTER OF THE APPLICATION OF NORTHERN CALIFORNIA POWER COMPANY, CONSOLIDATED, FOR AUTHORITY TO ISSUE ITS PROMISSORY NOTE FOR ONE HUNDRED ONE THOUSAND THREE HUNDRED EIGHTY-THREE DOLLARS THIRTY-ONE CENTS TO CALIFORNIA-OREGON POWER COMPANY PAYABLE ON OR BEFORE JUNE 1, 1923.

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Application No. 4850.

Decided August 25, 1919.

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*F. Emerson Hoar* and *H. Corvin*, for Northern California Power Company, Consolidated.

*J. C. Thompson*, for California-Oregon Power Company.

*Paul McDonald*, for Mercantile Trust Company of San Francisco.

*LOVELAND*, Commissioner.

**OPINION.**

Northern California Power Company, Consolidated, asks permission to issue to California-Oregon Power Company, a \$101,383.31 6 per cent note payable on or before June 1, 1923.

Applicant reports that for the purpose of enabling it to comply with the Commission's orders in Case No. 1176, it entered into an agreement, dated June 11, 1918, with California-Oregon Power Company and Mercantile Trust Company of San Francisco. Under the terms of this agreement, California-Oregon Power Company constructed for applicant 15 miles of 60 kilo volts transmission line from Delta to Kennett at a cost of \$101,383.31. Statements on file with the Commission show that the \$101,383.31 represents the actual cost of building the transmission line. The construction of the transmission line has made it possible for California-Oregon Power Company to sell electrical energy to the Northern California Power Company, Consolidated, which in turn found it possible to sell an added amount of electrical energy to Pacific Gas and Electric Company.

I herewith submit the following form of order:

**ORDER.**

Northern California Power Company, Consolidated, having applied to the Railroad Commission for permission to issue a note, a public hearing having been held and the Commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose indicated herein and that the expenditures for such purpose are not in whole or in part reasonably chargeable to operating expenses or to income,

*It is hereby ordered* that Northern California Power Company, Consolidated, be, and it is hereby, granted authority to issue to California-Oregon Power Company its 6 per cent promissory note for the sum of \$101,383.31, said note to be payable on or before June 1, 1923, and issued for the purpose indicated in the petition herein.

The authority herein granted is upon the following conditions, and not otherwise:

1. Within sixty days after the date hereof, applicant shall file with the Railroad Commission a copy of the note issued pursuant to the authority herein granted.

2. The authority herein granted will not become effective until applicant has paid the fee prescribed by the Public Utilities Act.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-fifth day of August, 1919.

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**DECISION No. 6593.**

**IN THE MATTER OF THE APPLICATION OF THE NOVATO UTILITIES COMPANY FOR PERMISSION TO BORROW MONEY FOR THE PURPOSE OF WATER DEVELOPMENT.**

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Application No. 4749.

Decided August 29, 1919.

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A. J. Cain, for Applicant.

LOVELAND, *Commissioner.*

**OPINION.**

Novato Utilities Company asks the Railroad Commission to make its order authorizing applicant to issue a note or notes payable on or before five years after date in the aggregate sum of \$3,000.

A. J. Cain, secretary of Novato Utilities Company, testified that it has become necessary for applicant to extend its water system in order

to give adequate fire protection and supply water to prospective consumers. The cost of the improvements, additions and betterments, as outlined by applicant, is estimated at \$3,000 and consist of the following:

Reservoir .....	\$1,050 00
Pipe line and fittings.....	725 00
Pump house .....	225 00
Motor, pumps and fittings.....	575 00
Well and casing .....	35 00
Reservoir site and rights of way.....	500 00
Engineering .....	100 00

Applicant proposes to build a pump house 18 by 32 feet with cement floor, put down an 8-inch cased well and install a triplex pump having a capacity of about 40 gallons per minute, driven by a 5-horsepower electric motor. Applicant intends to construct a reservoir with a capacity of about 80,000 gallons and install about 400 feet of 2-inch and 1000 feet of 4-inch main.

Applicant has advised the Railroad Commission that it has made arrangements to borrow \$3,000 with interest at the rate of 6 per cent per annum.

Applicant has no bonds outstanding and its notes payable on December 31, 1918, were reported at \$600 and its accounts payable at \$947.03. After paying operating expenses, taxes, interest and other fixed charges, in 1918 the company reports a surplus earning of \$1,316.40.

I herewith submit the following form of order:

#### ORDER.

Novato Utilities Company having applied to the Railroad Commission for permission to issue a note or notes, a public hearing having been held and the Commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose or purposes specified in this order, and that the expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income,

*It is hereby ordered* that Novato Utilities Company be, and it is hereby, granted authority to issue a note or notes for the aggregate sum of \$3,000, payable on or before five years after date hereof and bearing interest at not exceeding 6 per cent per annum; provided,

1. The proceeds obtained through the issue of the note or notes will be used to pay for the construction of the improvements, additions and betterments described in the petition herein.

2. Novato Utilities Company will keep such record of the issue of the note or notes herein authorized and of the distribution of the proceeds, as will enable it to file on or before the twenty-fifth day of each month

a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

3. The authority herein granted will not become effective until applicant has paid the fee prescribed by the Public Utilities Act.

4. The authority herein granted will apply only to such note or notes as may be issued on or before December 31, 1919.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-ninth day of August, 1919.

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DECISION No. 6594.

IN THE MATTER OF THE APPLICATION OF DELTA TELEPHONE AND  
TELEGRAPH COMPANY, A CORPORATION, FOR PERMISSION TO  
ISSUE PROMISSORY NOTE.

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Application No. 4875.

Decided August 29, 1919.

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*Derlin & Derlin*, for Applicant.

LOVELAND, *Commissioner*.

**OPINION.**

Delta Telephone and Telegraph Company asks permission to issue an \$8,000 6 per cent one-day note to the National Bank of D. O. Mills & Company, or to leave outstanding in the hands of the bank the \$8,000 6 per cent one-day note issued August 14, 1918. The jurisdiction of the Commission extends only to the issue of the new one-day note referred to in the petition herein.

The testimony shows that on August 14, 1918, applicant borrowed \$8,000 from the National Bank of D. O. Mills & Company, and as an evidence of such indebtedness issued its one-day 6 per cent note, and that all of the \$8,000 was expended to pay for additions and betterments to applicant's plant and system.

Applicant reports that it reconstructed its pole line on Sutter Island, strung 109 miles of new wire largely on the new pole line on Sutter Island, reconstructed its pole and wire line between its Courtland office building and store, extended cables at Isleton and reconstructed its pole and wire lines in Reclamation District No. 744 made necessary by levee changes.



Applicant pursuant to authority granted in Decision No. 4962, dated December 13, 1917 (Vol. 14, Opinions and Orders of the Railroad Commission of California, p. 729), issued \$41,650 of common and \$40,000 of preferred stock for the purpose of acquiring the properties of New Freeport Telephone and Telegraph Company. Applicant has issued no stock other than that referred to and reported its total indebtedness as of December 31, 1918, as follows:

Notes payable -----	\$8,000 00
Subscribers' deposits -----	277 90
Taxes accrued, not due -----	373 90
Other accrued liabilities, not due -----	493 26
	<hr/>
	\$9,144 16

Mr. W. E. Hills, auditor of the Delta Telephone and Telegraph Company, testified that all of the company's accumulated surplus, \$5,155.83, on December 31, 1918, has been invested in property.

I herewith submit the following form of order:

#### ORDER.

Delta Telephone and Telegraph Company having applied to the Railroad Commission for permission to issue a note, a public hearing having been held and the Commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose specified in the order, and that the expenditures for such purpose are not in whole or in part reasonably chargeable to operating expenses or to income,

*It is hereby ordered* that Delta Telephone and Telegraph Company be, and it is hereby, authorized to issue to National Bank of D. O. Mills & Company a 6 per cent one-day promissory note for the sum of \$8,000 for the purpose of refunding the \$8,000 indebtedness represented by the \$8,000 one-day 6 per cent note now held by the bank and referred to in the petition herein; provided,

1. Delta Telephone and Telegraph Company will file with the Railroad Commission within thirty days after the issue of the note herein authorized a copy of said note.

2. The authority herein granted will not become effective until applicant has paid the fee prescribed by the Public Utilities Act.

3. The authority herein granted will apply only to such note as may be issued on or before December 1, 1919.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-ninth day of August, 1919.

## DECISION No. 6595.

## IN THE MATTER OF THE APPLICATION OF SAN JOAQUIN LIGHT AND POWER CORPORATION FOR AN ORDER AUTHORIZING THE ISSUANCE AND THE SALE OF BONDS.

Application No. 4809.

Decided August 29, 1919.

Applicant granted permission to issue \$1,250,000 face value of 6 per cent first and refunding bonds to be sold at not less than 95, proceeds thereof to be used in the construction of additional generating units and for betterments and additions to its system.

*Short & Sutherland, and Murray Bourne, for Applicant.*

*MARTIN, Commissioner.*

## OPINION.

San Joaquin Light and Power Corporation asks permission to issue, at not less than 95 per cent of their par value and accrued interest, \$1,250,000 of its Series "C" 6 per cent first and refunding bonds due August 1, 1950.

The record shows that applicant is engaged in extensive construction work. It is building a 30,000 kilowatt power plant, to be known as the "Kereckhoff power plant," on the San Joaquin River, making preliminary surveys, doing recognizance work and building roads in connection with various projects on the North Fork of the Kings River, extending its transmission and distribution lines, increasing the capacity of some of its substations and building new ones. The cost of the new power plant, together with the necessary transmission lines and appurtenances, is estimated at from \$3,500,000 to \$4,000,000. Present indications are that the plant will be completed some time prior to June 30, 1920.

The company estimates that up to June 30, 1920, it will be called upon to expend more than \$5,000,000 to pay for the new power plant and construct extensions, additions and betterments to its plant and system made necessary by the ordinary increase of its business.

In Exhibit "1" filed at the hearing on August 14, applicant reports its assets and liabilities as of June 30, 1919, as follows:

Asset Accounts.	
Rights and franchises .....	\$14,091,541 17
Organization expenses .....	24,382 52
Plant .....	17,291,020 22
Sinking fund .....	284,688 71
Treasury securities .....	209,488 92
Cash .....	496,108 25
Notes receivable .....	407,508 68
Accounts receivable .....	740,986 13

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Materials and supplies .....	590,885 42
Prepaid taxes and licenses .....	3,684 20
Bond discount and expense .....	579,073 95
Stock discount .....	1,250,000 00
Prepayments .....	3,074 97
Unaudited and undistributed invoices payable .....	336,261 86
Miscellaneous undistributed disbursements .....	202,940 82
Replacements .....	4,421 93
Total asset accounts .....	\$36,516,067 75

*Liability Accounts.*

Common stock .....	\$11,000,000 00
Preferred stock .....	6,500,000 00
Bonds .....	13,222,000 00
Notes payable .....	717,607 88
Accounts payable .....	566,500 69
Unaudited invoices payable .....	336,261 86
Pay roll .....	94,089 36
Deposits .....	55,782 25
Prepayments .....	13,405 97
Sinking fund accrued not due .....	102,841 91
Interest on funded debt accrued not due .....	240,962 52
Interest on unfunded debt accrued not due .....	10,129 80
Taxes, licenses, accrued not due .....	23,238 42
Reserves .....	2,069,357 67
Capital surplus .....	373,917 50
Surplus .....	1,189,971 92
Total liability accounts .....	\$36,516,067 75

Part of the company's current indebtedness has been incurred to pay for, or on account of, the construction of extensions, additions and betterments. The order herein will provide that applicant may use proceeds from the sale of bonds to pay the cost of constructing extensions, additions and betterments described in Exhibit "1" attached to the petition herein.

An earning statement filed by applicant for the year ending June 30, 1919, shows that under the deed of trust, the trustee is authorized to certify forthwith \$709,000 of the bonds covered by this application. The certification of bonds is, of course, a condition precedent to their issue. Because of the urgency of the situation and the facts and circumstances surrounding the issue of bonds by applicant, I believe that it should be permitted to issue and sell the \$1,250,000 of bonds without a further order from the Commission, provided it file with the Commission a copy of all statements which it is required to file with the trustee under its first and refunding mortgage for the purpose of having the trustee certify bonds in addition to the \$709,000, to which reference has been made.

I herewith submit the following form of order:

**ORDER.**

San Joaquin Light and Power Corporation having applied to the Railroad Commission for permission to issue bonds, a public hearing having been held and the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose or purposes specified in this order and that the expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income,

*It is hereby ordered* that San Joaquin Light and Power Corporation be, and it is hereby, granted authority to issue on or before March 1, 1920, at not less than 95 per cent of their face value plus accrued interest, \$1,250,000 of its Series "C" 6 per cent first and refunding mortgage bonds due August 1, 1950, and use the proceeds obtained from the sale of said bonds to pay the cost of building the power plant, extensions, additions and betterments described in Exhibit "1," attached to the petition herein, or indebtedness incurred on account of the construction of said power plant, extensions, additions and betterments; provided,

(1) The authority herein granted will not become effective until applicant has paid the fee prescribed by the Public Utilities Act.

(2) San Joaquin Light and Power Corporation will keep such record of the issue and sale of the bonds herein authorized and of the disposition of the proceeds, as will enable it to file on or before the twenty-fifth day of each month a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-ninth day of August, 1919.

## DECISION No. 6596.

IN THE MATTER OF THE APPLICATION OF GRANGERS BUSINESS ASSOCIATION FOR AN ORDER APPROVING THE ORDER OF THE BOARD OF SUPERVISORS OF THE COUNTY OF CONTRA COSTA, STATE OF CALIFORNIA, MADE JULY 7, 1919, GRANTING TO THE GRANGERS BUSINESS ASSOCIATION, ITS SUCCESSORS AND ASSIGNS, A RENEWAL OF THE RIGHT TO CONSTRUCT AND MAINTAIN A WHARF AND TO MAKE TOLLS THEREON FOR THE USE OF THE SAME FOR THE TERM OF TWENTY YEARS, ON CERTAIN LAND SITUATED AND BORDERING ON THE STRAITS OF CARQUINEZ, IN SAID COUNTY OF CONTRA COSTA.

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Application No. 4745.

Decided August 29, 1919.

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*Messrs. Houghton & Houghton, by Edward T. Houghton, for Applicant.*

BY THE COMMISSION.

**OPINION.**

Grangers Business Association applies for approval of the renewal of a wharf franchise granted by the board of supervisors July 7, 1919, under the provisions of section 2906 *et seq.*, Political Code, providing that such franchise must be renewed at two-year intervals until construction work is begun.

A public hearing was held before Examiner Westover at San Francisco, August 19, 1919.

The franchise in question is for the construction of a wharf along the south shore of the Straits of Carquinez near applicant's present warehouse. Its contemplated improvements have not been completed for the reason that during the war grain shipments had been diverted to all rail routes, and when the water-borne traffic resumes its normal volume, applicant may have concluded to construct an elevator to handle grain in bulk, rather than to construct a warehouse for handling grain shipments in bags.

**ORDER.**

Grangers Business Association having applied to the Commission for approval of an order and resolution of the board of supervisors of the county of Contra Costa, made and entered on July 7, 1919, renewing the right theretofore granted applicant to construct and maintain a wharf on the southerly shores of the Straits of Carquinez, a public hearing having been held, and the Commission being of the opinion that the application should be granted,

*It is hereby ordered* that said application be and it is hereby granted.

Dated at San Francisco, California, this twenty-ninth day of August, 1919.

## DECISION No. 6597.

IN THE MATTER OF THE APPLICATION OF SOUTHERN CALIFORNIA EDISON COMPANY, A CORPORATION, FOR AN ORDER OF THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA AUTHORIZING IT TO ISSUE, SELL AND DELIVER TWENTY-FIVE THOUSAND SHARES OF ITS COMMON CAPITAL STOCK OF THE PAR VALUE OF ONE HUNDRED DOLLARS EACH.

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Application No. 4790.

Decided August 29, 1919.

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BY THE COMMISSION.

**FIRST SUPPLEMENTAL ORDER.**

The Railroad Commission having by Decision No. 6544, dated August 7, 1919, authorized Southern California Edison Company to issue, at not less than \$90 per share, 25,000 shares of its common stock, provided that the proceeds be expended only for such purposes as the Railroad Commission might authorize in a supplemental order or orders, and Southern California Edison Company having filed, in the above-entitled matter, a supplemental petition showing that it has expended for, or has obligated itself to pay for, the construction of improvements, additions and betterments representing a total cost of \$1,448,725.10, and Southern California Edison Company reporting that on July 31, its current indebtedness aggregated \$3,205,614.45, and it appearing that the expenditures reported in the supplemental petition are reasonable and proper and that the Railroad Commission has never authorized the issue of stock or any form of indebtedness against the expenditures reported in the supplemental petition and that applicant should be permitted to use \$1,448,725.10 of the proceeds obtained from the sale of 25,000 shares of common stock to pay current indebtedness, now, therefore,

*It is hereby ordered* that Southern California Edison Company be, and it is hereby, authorized to use \$1,448,725.10 of the proceeds from the sale of the 25,000 shares of stock authorized by Decision No. 6544, dated August 7, 1919, to pay current indebtedness.

*It is hereby further ordered* that the order in Decision No. 6544, dated August 7, 1919, shall remain in full force and effect, except as modified by this first supplemental order.

Dated at San Francisco, California, this twenty-ninth day of August, 1919.

## DECISION No. 6624.

IN THE MATTER OF THE APPLICATION OF OAKLAND, ANTIOCH AND  
EASTERN RAILWAY COMPANY TO ISSUE CERTAIN NOTES.

Application No. 4857.

Decided August 29, 1919.

*Steinhart, McAttee & Levy, by Jesse H. Steinhart, for Applicant.**B. L. Hodghead, for J. A. Roebling's Sons Company.*

LOVELAND, Commissioner.

## OPINION.

Applicant asks permission to issue for a term of one year or less notes as follows:

Payee	Date of maturity of note to be refunded	Rate of interest	Face amount of note
Union Switch and Signal Company.....	Nov. 1, 1915	5%	\$21,113 00
Union Switch and Signal Company.....	Nov. 1, 1915	5%	4,135 00
Union Switch and Signal Company.....	Oct. 1, 1915	5%	18,249 00
Union Switch and Signal Company.....	Oct. 1, 1915	5%	2,374 00
Union Switch and Signal Company.....	Oct. 1, 1915	5%	9,308 00
Pope & Talbot Company.....	Sept. 24, 1915	6%	7,169 00
Chas. Nelson & Company.....	Sept. 17, 1915	6%	8,029 36
J. A. Roebling's Sons Company.....	Sept. 17, 1915	7%	8,918 00
California National Bank of Sacramento.....	Sept. 1, 1919	7%	40,000 00

The issue of all of the notes, except the \$18,249 note due Union Switch and Signal Company, has heretofore been authorized by the Railroad Commission.

Applicant has filed as Exhibit "1" an escrow agreement showing that on June 30, 1915, it deposited with Union Trust Company of San Francisco \$21,000 of bonds to secure a note indebtedness of \$12,273.36 payable to J. A. Roebling's Sons Company, said bonds to be delivered to J. A. Roebling's Sons Company when their issue is authorized by the Railroad Commission. Since the execution of this agreement, applicant has paid on account \$4,000.66, leaving still \$8,918 due on the note. Applicant reports that the indebtedness represents the cost of materials and supplies purchased to construct its line of railway. The delay in filing an application to pledge the bonds is due to inadvertence. Heretofore, the Commission has permitted applicant to pledge bonds at a ratio so that the face value of the debt secured thereby would never be less than 60 per cent of the bonds pledged. I believe that the same principle should apply in the case of J. A. Roebling's Sons Company.

ling's Sons Company and that part of the bonds deposited with the Union Trust Company of San Francisco under the escrow agreement should be returned to applicant's treasury.

It appears that the pledging of the bonds is permitted under the reorganization plan referred to in Decision No. 6457, dated June 26, 1919. In this connection, it may be well to call attention to the fact that the authority granted to pledge bonds should not be regarded as a precedent, but is based upon the facts of this case.

I herewith submit the following form of order:

#### ORDER.

Oakland, Antioch and Eastern Railway Company having applied to the Railroad Commission for permission to issue notes and pledge bonds, a public hearing having been held and the Commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose specified in the order, and that the expenditures for such purpose are not in whole or in part reasonably chargeable to operating expenses or to income,

*It is hereby ordered* that Oakland, Antioch and Eastern Railway Company be, and it is hereby, authorized to issue notes payable within one year or less after the date hereof for the purpose of refunding the balance due on the following notes:

Payee	Date of maturity of note to be refunded	Rate of Interest	Face amount of note
Union Switch and Signal Company.....	Nov. 1, 1915	5%	\$21,113 00
Union Switch and Signal Company.....	Nov. 1, 1915	5%	4,135 00
Union Switch and Signal Company.....	Oct. 1, 1915	5%	18,249 00
Union Switch and Signal Company.....	Oct. 1, 1915	5%	2,374 00
Union Switch and Signal Company.....	Oct. 1, 1915	5%	9,308 00
Pope & Talbot Company.....	Sept. 24, 1915	6%	7,169 00
Chas. Nelson & Company.....	Sept. 17, 1915	6%	8,029 36
J. A. Roebling's Sons Company.....	Sept. 17, 1915	7%	8,918 00
California National Bank of Sacramento.....	Sept. 1, 1919	7%	40,660 00

*It is hereby further ordered* that Oakland, Antioch and Eastern Railway Company be, and it is hereby, authorized to pledge \$15,000 of its first mortgage bonds to secure the note payable to J. A. Roebling's Sons Company, and leave outstanding in the hands of the respective payees the bonds now held by them as security for their notes, provided that as payment is made on any secured note, including that held by J. A. Roebling's Sons Company, a percentage of bonds be returned to applicant's treasury, so that the ratio of the balance due on the note will never be less than 60 per cent of the bonds pledged.



The authority herein granted is upon the following conditions and not otherwise:

1. The notes herein authorized to be issued shall bear interest at not exceeding the rate now paid on the note indebtedness referred to in this order.

2. The authority herein granted shall not become effective until applicant has paid the fee prescribed by the Public Utilities Act.

3. Within thirty days after the issue of the notes herein authorized, applicant shall file with the Railroad Commission a copy of such note or notes.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-ninth day of August, 1919.

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DECISION No. 6625.

IN THE MATTER OF THE APPLICATION OF MOUNT TAMALPAIS AND  
MUIR WOODS RAILWAY FOR AN ORDER AUTHORIZING IT TO  
ISSUE A NOTE.

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Application No. 4884.

Decided August 29, 1919.

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*Thomas, Beedy & Lanagan, by William Thomas, for Applicant.*

*LOVELAND, Commissioner.*

**OPINION.**

Mount Tamalpais and Muir Woods Railway, in its amended petition, asks permission to issue to the First National Bank of San Francisco a one-day 6 per cent \$15,000 note, and secure the payment of such note by the deposit of \$15,000 face value of Mill Valley and Mount Tamalpais Scenic Railway bonds, and issue \$2,000 of bonds of said Mill Valley and Mount Tamalpais Scenic Railway to reimburse its treasury and meet a sinking fund payment.

Applicant reports that it is indebted to the Union Trust Company of San Francisco to the extent of \$15,000 and that it intends to pay this indebtedness by borrowing \$15,000 from the First National Bank of San Francisco.

The Superior Court in and for the city and county of San Francisco by a decree dated December 12, 1916, ordered Union Trust Company of San Francisco, trustee under the mortgage executed by Mill Valley and Mount Tamalpais Scenic Railway, predecessor in interest to Mount Tamalpais and Muir Woods Railway, to return to said railway \$18,500

face value of its first mortgage bonds. The mortgage requires the company to pay to the trustee for sinking fund purposes \$2,000 per annum. Under this provision, the company reports that from 1899 to 1916 it paid to the trustee \$54,500 or \$18,500 more than necessary, and that this money was used by the trustee to purchase bonds of the company. Pursuant to the court's order, \$18,500 of bonds have been returned to applicant's treasury. The Commission in a former decision has held that the bonds having reverted to the company's treasury could be issued only as authorized by the Commission. Applicant now proposes to pledge \$15,000 of the bonds and issue \$2,000 to reimburse its treasury and meet a sinking fund payment. The testimony shows that the \$2,000 of bonds were reacquired through the investment of surplus earnings, and that the investment in applicant's property is considerably in excess of its funded and unfunded indebtedness.

I herewith submit the following form of order:

#### ORDER.

Mount Tamalpais and Muir Woods Railway having applied to the Railroad Commission for permission to issue a note and bonds, and a public hearing having been held,

*It is hereby ordered* that Mount Tamalpais and Muir Woods Railway be, and it is hereby, authorized to issue to the First National Bank of San Francisco its 6 per cent one-day note for the principal sum of \$15,000 and to secure the payment of such note by the deposit of \$15,000 face value of bonds of Mill Valley and Mount Tamalpais Scenic Railway.

*It is hereby further ordered* that Mount Tamalpais and Muir Woods Railway be, and it is hereby, authorized to issue \$2,000 of bonds of Mill Valley and Mount Tamalpais Scenic Railway at not less than par for the purpose of reimbursing its treasury.

The authority herein granted is upon the following conditions and not otherwise:

1. The note herein authorized to be issued shall be issued by applicant for not less than the face value thereof and the proceeds used to pay the note held by the Union Trust Company of San Francisco and referred to in the petition herein.

2. As payments are made on the note herein authorized, pledged bonds approximately equal in amount to such payments shall be returned to applicant's treasury and thereafter issued only as authorized by the Railroad Commission.

3. Mount Tamalpais and Muir Woods Railway shall within thirty days after the issue of the note herein authorized, file with the Railroad Commission a copy of such note and a statement showing the serial number of the bonds pledged as collateral.

4. The authority herein granted to issue a note and bonds shall apply only to such note and bonds as may be issued on or before December 31, 1919.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-ninth day of August, 1919.

DECISION No. 6626.

IN THE MATTER OF THE APPLICATION OF THE OAKLAND, ANTIOCH AND EASTERN RAILWAY FOR AUTHORITY TO INCREASE PASSENGER FARES.

Application No. 4625.

Decided August 29, 1919.

Upon a showing that its present schedule of passenger rates are not producing sufficient revenue, and that applicant is at present operating at a loss, it is granted permission to increase passenger rates to a 3 cents per mile basis between San Francisco, Oakland and Sacramento and intermediate points.

*Steinhart, McAttee & Levy*, by *Jesse H. Steinhart*, for Applicant.

*LOVELAND*, Commissioner.

OPINION.

Pleading increased operating costs and that present revenues are insufficient to defray operating expenses and yield a reasonable return upon investment, applicant requests authority under section 63 of the Public Utilities Act to increase passenger fares. The fares which it is desired to advance are mostly those applying between points served also by the lines of the United States Railroad Administration and it is proposed to establish the same fares as prevail via the Federal lines, except where combination of locals makes lower.

The following statement covers the more important changes contemplated and will serve to illustrate the effect of the application in general.

Between—	And—	Single trip		S. P. Co.	Week-end roundtrip		S. P. Co.
		Present	Proposed		Present	Proposed	
San Francisco	Bay Point -----	\$1 10	\$1 20	\$1 25	\$1 40	\$1 60	\$2 50
	Nichols -----	1 15	1 30	1 30	1 55	1 75	2 60
	Pittsburg -----	1 35	1 45	1 50	1 80	1 95	3 00
	Sacramento -----	2 50	2 70	2 70	3 35	3 60	5 10
Oakland	Bay Point -----	1 00	1 10	1 10	1 35	1 50	2 20
	Nichols -----	1 05	1 15	1 15	1 40	1 55	2 30
	Pittsburg -----	1 25	1 30	1 35	1 70	1 75	2 70
	Sacramento -----	2 50	2 55	2 55	3 35	3 40	5 10

The proposed one-way fares are based 3 cents per mile, adding sufficient to make fares end in 0 or 5, observing as a maximum the short line mileage of the competing road, the Southern Pacific Company, while the contemplated week-end round trip fares are one and one-third times the one-way figures. There are no round trip fares in effect via the Southern Pacific line of the United States Railroad Administration, the figures used in comparison being merely double the one-way fares.

In substantiation of the allegations specified in petition, applicant submitted a statement of revenues and expenses for the calendar year 1918 and the first five months of 1919, from which the following is taken:

Items	Calendar year 1918	First five months 1919
Railway operating revenue.....	\$879,766 36	\$313,855 61
Railway operating expenses.....	591,772 88	222,589 19
Net revenue, railway operations.....	\$287,993 48	\$91,266 42
Taxes assignable to railway operations.....	36,375 00	13,550 00
Operating income .....	\$251,618 48	\$77,716 42
Nonoperating income .....	2,029 71	942 37
Gross income .....	\$253,648 19	\$78,658 79
Deductions from gross income, interest on debt, etc.	287,869 39	122,373 28
Deficit .....	\$34,161 20	\$43,714 49

The results for the first five months of 1919 can not be taken as a criterion for the entire year, as these months represent a period when travel is slack and with the recurrence of activities during the remainder of the year, it is fair to anticipate a revenue showing more closely approaching that of 1918.

As an illustration of increased operating costs, applicant's general manager testified that advances in wages since 1916 had caused an increase in pay roll of \$198,207, or approximately 72.97 per cent, which figure covers unit cost only and does not include additional help due to natural growth. Evidence was also offered showing that cost of materials had increased some 57.7 per cent during the same period.

Applicant testified that when present fares were originally established in 1913 they were merely a duplication of those applying via competing lines, no consideration whatever being given to the usual elements influencing rate construction.

While admitting the conclusiveness of applicant's showing of increased revenue requirements, the San Francisco Chamber of Commerce, in behalf of the interests of San Francisco, expressed disapproval of the increased differential San Francisco versus Oakland in connection with proposed fares between those points and Sacramento. The

present one-way fare is \$2.50 in each instance, whereas the adjustment proposed contemplates a departure from the blanket system by increasing the Oakland-Sacramento fare from \$2.50 to \$2.55, an advance of 5 cents, while the San Francisco-Sacramento fare is to be increased from \$2.50 to \$2.70, an advance of 20 cents, or a difference of 15 cents between San Francisco and Oakland.

The distance between Oakland and Sacramento via applicant's line is 85 miles, which at 3 cents per mile makes \$2.55, the fare proposed. From San Francisco to Sacramento the distance is 93 miles, which at 3 cents per mile yields \$2.80, but as this exceeds the fare of \$2.70 in effect via Southern Pacific Company, the latter has been observed as a maximum.

In March, 1913, the Commission, upon complaint that the passenger fares of the Southern Pacific Company between Oakland, Sacramento and intermediate points were the same as the San Francisco fares, notwithstanding the closer proximity of Oakland, caused an investigation to be made, which developed that with the exception of Sacramento the fares in this territory were based 3 cents per mile, but in publishing the Oakland fares the mileage figures were disregarded and the San Francisco fares applied. In consequence of this investigation the Oakland fares were reduced by approximately 15 cents, representing the difference in distance between San Francisco and Oakland, except that between Sacramento and Oakland and between Sacramento and San Francisco, in consideration of steamer competition at San Francisco, the Southern Pacific Company was permitted to depart from the mileage basis and continue in effect between these points the fare of \$2.50 existing at that time. Therefore, with the changes made by the Federal roads, the steps proposed by this application will have the effect of completing the partial adjustment made by the Commission in 1913.

In establishing a passenger fare structure based on a uniform mileage scale, some disturbance of differentials theretofore existing is bound to occur, but the Commission can not for such reason refuse to sanction a rate system which is obviously nondiscriminatory as between the various communities and localities affected and which has the effect of preventing artificial advantages attendant upon a less scientific system of rate construction.

It is estimated that about \$22,100 additional revenue will be obtained by use of proposed fares, which would still leave a deficit of some \$12,000 based on 1918 figures. Approximately 75 per cent of applicant's operating revenue is derived from passenger traffic, some 20 per cent from freight and the remainder from express, baggage and miscellaneous sources. It may, therefore, be said that the property is

essentially a passenger line and whatever relief is to be obtained must come through such channel, particularly in view of the fact that applicant's freight rates were generally increased to the basis adopted by Federal controlled lines.

From the evidence submitted it is apparent that applicant's passenger fares are insufficient to enable it to pay operating expenses and interest on its money obligations. The claimed investment in road and equipment as of April 30, 1919, is \$6,513,253.06.

This line is now rendering efficient and much needed service to the sections traversed by its rails and the relief prayed for in this application will assist in maintaining the present high standard.

Without passing on the inherent reasonableness of the fares proposed, I am of the opinion and hereby find as a fact that applicant has substantiated its contention that the existing fares are insufficient to yield a proper return, in view of the increased expense of transportation and that application should be granted.

The following form of order is submitted:

#### ORDER.

The Oakland, Antioch and Eastern Railway having applied under section 63 of the Public Utilities Act to increase certain passenger fares, as set forth in Exhibit "A," attached to and forming a part of its application, a public hearing having been held and the Railroad Commission being fully apprised in the premises,

*The Railroad Commission hereby finds as a fact that the existing passenger fares, as set forth in the application of petitioner, are unremunerative and that the fares herein established are just and reasonable.*

Basing this order on the foregoing finding of fact and the further findings of fact contained in the opinion which precedes this order,

*It is hereby ordered that the Oakland, Antioch and Eastern Railway be, and the same is hereby, authorized to publish and file the schedule of fares set forth in Exhibit "A" attached to and made a part of the application, which are found by this Commission to be just and reasonable.*

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-ninth day of August, 1919.

## DECISION No. 6630.

IN THE MATTER OF THE APPLICATION OF SOUTHERN COUNTIES GAS COMPANY OF CALIFORNIA FOR A CERTIFICATE THAT PUBLIC CONVENIENCE AND NECESSITY REQUIRE THE EXERCISE OF RIGHTS AND PRIVILEGES UNDER FRANCHISES WHICH APPLICANT HAS SECURED FROM THE CITY OF CHINO AND THE COUNTY OF SANTA BARBARA.

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Application No. 4736.

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Decided August 30, 1919.

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Applicant granted a certificate permitting the exercise of rights under franchises obtained from the city of Chino and the county of Santa Barbara, authorizing the construction and operation of gas distributing systems.

*Hunsaker, Britt & Edwards*, for Applicant.

*LOVELAND*, Commissioner.

**OPINION.**

This is an application by Southern Counties Gas Company for an order declaring that public convenience and necessity require the exercise by it of the rights and privileges of franchises granted it by the board of trustees of the city of Chino, under Ordinance No. 85, and by the board of supervisors of the county of Santa Barbara, under Ordinance No. 397. A hearing was held in Los Angeles on July 24, 1919.

Applicant at the present time is supplying inhabitants of the city of Chino with natural gas for light and power purposes, and is the only utility distributing gas in said city. Applicant has heretofore been supplying consumers with gas under franchise granted by the board of trustees of said city by Ordinance No. 50, approved the twelfth day of December, 1917.

Applicant alleges that said franchise provided that the laying of pipes and the construction of gas system in the city of Chino should be completed within five months from the granting of franchise; that said period has long since expired, and it is now necessary for applicant, in order to make additional extensions to its system in the city of Chino, to obtain a new franchise, which, on the seventeenth day of June, 1919, the trustees of the city of Chino duly and regularly granted to Southern Counties Gas Company, by Ordinance No. 85, permitting it, for a term of twenty years, to install and maintain a gas distributing system in the city of Chino.

Subsequent to the hearing in this matter, the board of directors of Southern Counties Gas Company, by resolution dated August 20, 1919, duly stipulated that it, its successors and assigns, would never claim

before the Railroad Commission, or any court or other public body, a value for the rights and privileges granted in said franchise under Ordinance No. 85 of the city of Chino in excess of the actual cost to said Southern Counties Gas Company of acquiring said franchise, which cost is stated in said stipulation to be the sum of \$100.

I find as a fact that public convenience and necessity require the exercise by Southern Counties Gas Company of the rights and privileges of the franchise granted to it by Ordinance No. 85 of the city of Chino.

Applicant has also purchased a franchise from the county of Santa Barbara, granted by the board of supervisors of the city and county of Santa Barbara by its Ordinance No. 397 under date of June 16, 1919, which permits Southern Counties Gas Company, for a period of fifty years, to lay and maintain gas pipes in that portion of Santa Barbara County described in said franchise. Copy of said franchise has been filed as an exhibit herein.

Applicant states that it is its intention to supply the inhabitants of the territory described in said franchise, wherever practicable, with gas for heat, light and power purposes, and further, that there is no other gas utility serving in said territory.

Subsequent to the hearing in this matter the board of directors of Southern Counties Gas Company, by resolution dated August 20, 1919, duly stipulated that it, its successors and assigns, will never claim before the Railroad Commission, or any court, or any other public body, a value for the rights and privileges granted in said franchise under Ordinance No. 397 of the county of Santa Barbara in excess of the actual cost to said Southern Counties Gas Company of acquiring said franchise, which cost is stated in said stipulation to be the sum of \$100.

I find as a fact that public convenience and necessity require the exercise by Southern Counties Gas Company of the rights and privileges granted it by Ordinance No. 397 of the board of supervisors of the county of Santa Barbara.

I submit the following form of order:

#### ORDER.

Southern Counties Gas Company having applied to the Railroad Commission for a certificate declaring that public convenience and necessity require the exercise of the rights and privileges under certain franchises of the city of Chino and the county of Santa Barbara, a hearing having been held, copies of said franchises and stipulations as to its claims for the values thereof having been duly filed by Southern Counties Gas Company in form satisfactory to the Commission,

*The Railroad Commission of the State of California hereby declares that public convenience and necessity require the exercise by Southern*



Counties Gas Company of the rights and privileges of the franchises granted to it by Ordinance No. 85 of the city of Chino, as approved on the seventeenth day of June, 1919, by the board of trustees of said city of Chino, and by Ordinance No. 397 of the county of Santa Barbara, as approved on the sixteenth day of June, 1919, by said board of supervisors of the county of Santa Barbara.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this thirtieth day of August, 1919.

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Decision No. 6631.

IN THE MATTER OF THE APPLICATION OF OAKDALE GAS COMPANY  
FOR AUTHORIZATION TO INCREASE RATES.

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Application No. 4801.

Decided August 30, 1919.

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Increased schedule of rates for gas established for system of applicant upon a showing that its present rates do not furnish revenues sufficient to provide a reasonable return on the investment. Increased schedule to become effective for all meter readings made on and after September 10, 1919.

*Guy W. Anderson*, for Applicant.

*R. W. Reeder*, for city of Oakdale.

*MARTIN*, Commissioner.

**OPINION.**

Oakdale Gas Company, operating an artificial gas plant in Oakdale, and distributing gas in Oakdale and Riverbank, applies for authority to increase its rates for gas, alleging that on account of the continued increases in the price of oil, labor and materials, its present and future operations, under present rates, can not be conducted except at an actual loss. Applicant also alleges that the rates granted by this Commission in its Decision No. 5303 issued April 12, 1918, were not then, and are not now, sufficient to allow applicant an earning on its investment, after providing for the cost of operations which have prevailed during the past sixteen months.

A hearing on this matter was held in Oakdale on August 15, 1919, at which time evidence was taken and the matter thereupon submitted.

Applicant's rates for gas, as authorized by Decision No. 5303, *supra*, are as follows:

Per meter per month.	Gross.	Net.
First 500 cubic feet or less.....	\$1 10	\$1 00
Next 2500 cubic feet, per thousand cubic feet.....	1 80	1 70
Next 5000 cubic feet, per thousand cubic feet.....	1 55	1 50
Next 7000 cubic feet, per thousand cubic feet.....		1 25
All over 15,000 cubic feet, per thousand cubic feet.....		1 10

The net rate is effective if the bill is paid on or before the tenth of the month next succeeding that for which the bill is rendered. If the bill is not paid on or before the tenth, the gross charge is effective.

A valuation of the gas properties of applicant, as of August 1, 1919, submitted in connection with this matter is given as follows:

Landed capital .....	\$1,105 00
Production capital .....	16,761 00
Transmission capital .....	10,655 00
Distribution capital .....	23,581 00
General capital .....	1,009 00
Intangible capital .....	4,915 00
Engineering expense .....	2,610 00
Materials and supplies .....	1,200 00
Working cash capital .....	2,500 00
Total capital .....	\$64,336 00

The above figures are not the result of a detailed inventory and appraisal, but represent, as far as it is possible to ascertain, the actual cost of the properties as set forth in applicant's annual reports to this Commission. Applicant has been under the jurisdiction of the Commission during its entire corporate existence, and its accounts have been kept according to the prescribed classification. It is fair, therefore, to conclude that these figures represent within reasonable limits the actual cost of the properties upon which rates are to be based.

For the twelve months ending June 30, 1919, applicant's accounts show the following:

Production expense and repairs to capital.....	\$7,973 53
Distribution expense and repairs to capital .....	977 24
Salaries and expense of commercial and general offices.....	2,544 64
Miscellaneous general expense.....	580 94
Taxes .....	805 45
Total expenses .....	\$12,900 80
Gross revenues .....	13,672 00
Net revenue available for return on investment and depreciation..	771 20
Rate of return on capital for depreciation and interest .....	1.2%

The following table shows applicant's estimated expenses for the year ending September 11, 1920:

Estimated sales, 8,000,000 cubic feet,	
Estimated consumers, 400,	
Cost of oil per barrel -----	\$1 95
Cost of oil per thousand cubic feet sold -----	648
Production expense -----	\$6,150 00
Transmission and distribution expense -----	1,200 00
Commercial and general expense -----	4,800 00
Taxes -----	850 00
Total expenses -----	\$13,000 00
Depreciation -----	1,600 00
Return at 6 per cent on \$50,000 -----	3,000 00
Grand total expenses -----	\$17,600 00

The average rate for gas sold would, from this analysis, have to be \$2.20 per thousand cubic feet in order to yield a return of 6 per cent on the minimum value of the properties, after paying operating expenses.

The territory served by the Oakdale Gas Company embodies the city of Oakdale, the unincorporated town of Riverbank and the districts adjacent to the highway between these two communities. The company first served gas in Oakdale in 1913 and in Riverbank in 1914. The development period can now be said to be over. There is, however, a considerable number of consumers which it is possible to secure by means of active and continued solicitation. Applicant's manager expressed as his opinion that there were, at the present time, at least seventy-five prospective consumers immediately adjacent to the present distribution and transmission lines.

Applicant is endeavoring to give its consumers a good grade of service, and no complaint against the service was voiced at the hearing. The territory served, however, is not dense enough to yield, under present rates, a reasonable return on investment necessary to serve. Applicant has already extended its facilities into territory which, although developing, has not as yet proved profitable. In fact, it is doubtful if the losses already incurred will ever be recovered.

This utility has not, since its inception, earned sufficient above its expenses and bond interest to enable it to set aside any depreciation reserve.

There is no question as to the necessity for an increase in applicant's gas rates, but it is also evident that the total revenue needed to provide a full return on the investment, together with a proper amount for a depreciation reserve, would require the charging of a rate that might be in excess of the value of the service.

It is not unreasonable to suppose that such a rate would shortly result in an actual reduction of applicant's revenues. The possibility of such a rate adjustment must not be overlooked.

Under normal conditions, the quantity of gas consumed by the customers of this applicant, will average about 22,000 cubic feet per annum. Under excessive rates both the average amount of gas used and the number of consumers will decrease. In order to justify the increase proposed by this applicant, it is necessary to anticipate the possible loss of business. While the proposed increases may appear to be quite material, the evidence herein shows that the cost of other fuels in this territory has increased, and, therefore, competition which might arise between the gas fuel supplied by the applicant and such other fuels as oil, wood, coal, etc., is not entirely a vital factor.

It was contended that the Riverbank service added to the cost of supplying Oakdale. Upon investigation, it was found that the taking on of the Riverbank business improved the situation as a whole, and that the additional cost of supplying Riverbank was maller in proportion than the cost of supplying Oakdale alone. The total investment, including the manufacturing plant, boosting and transmission equipment and distribution system taken as a whole, actually reduces the average cost per thousand cubic feet of gas sold, as compared with the cost of serving Oakdale separately. The size of the manufacturing plant and the necessary fixed costs of operation for supplying both communities are no greater than would be required to serve Oakdale alone. The cost of labor and overhead is practically the same, and the additional cost of manufacturing the gas used in Riverbank is practically only the additional boiler fuel and extra materials used.

Applicant proposes the following schedule of increased gas rates:

Per meter per month.	Gross.	Net.
First 300 cubic feet or less.....	\$1 10	\$1 00
Next 2700 cubic feet per thousand cubic feet.....	2 10	2 00
Next 5000 cubic feet per thousand cubic feet.....	1 85	1 80
Next 7000 cubic feet per thousand cubic feet.....		1 50
All over 15,000 cubic feet per thousand cubic feet.....		1 25

These rates are somewhat excessive for smaller consumers, and, after careful consideration of the evidence, we believe the rates set forth in the order herein will prove more equitable than those proposed by applicant.

I submit the following form of order:

#### ORDER.

Oakdale Gas Company, having applied for authority to increase its gas rates, a hearing having been held, the matter submitted and ready

for decision, the Railroad Commission of the State of California hereby finds as a fact that the gas rates now charged by Oakdale Gas Company are, under present conditions of cost of operation, not just or reasonable rates, and further finds, as a fact, that the gas rates set forth herein are, under present conditions, just and reasonable rates for gas.

Basing its order on the foregoing findings of fact, and upon the other findings of fact contained in the opinion which precedes this order,

*It is hereby ordered* that Oakdale Gas Company be, and it is hereby, authorized to charge and collect the following schedule of rates for gas, which rates shall be applicable to all regular meter readings taken on or after the tenth day of September, 1919, provided Oakdale Gas Company shall, within ten days of the date of this order, file with the Railroad Commission the following schedule of rates:

*General Service.*

Per meter per month.	Gross.	Net.
First 400 cubic feet or less.....	\$1 10	\$1 00
Next 2000 cubic feet, per thousand cubic feet.....	2 10	2 00
Next 5000 cubic feet, per thousand cubic feet.....	1 85	1 80
Next 7000 cubic feet, per thousand cubic feet.....	1 50	1 50
All over 15,000 cubic feet, per thousand cubic feet.....	1 25	1 25

The net rate shall apply if the bill is paid on or before the tenth of the month next succeeding that for which the bill is rendered. If the bill is not paid on or before the tenth, the gross rate shall apply.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this thirtieth day of August, 1919.

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DECISION No. 6632.

IN THE MATTER OF THE APPLICATION OF TITLE GUARANTEE AND TRUST COMPANY, TRUSTEE FOR THE BONDHOLDERS OF THE GLENDALE CONSOLIDATED WATER COMPANY, TO INCREASE RATES CHARGED TO ITS CONSUMERS ON ITS WATER SYSTEM LOCATED IN THE CITY OF SOUTH PASADENA.

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Application No. 4603.

Decided August 30, 1919.

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RATES--WATER UTILITIES--OVER CONSTRUCTION OF.--A water system considerably overbuilt and serving only a small number of consumers can not expect a full return on the value of its property when such a return would require the establishment of rates far in excess of the value of the service given.

Revised schedule of metered and flat rates established for system of applicant to become effective within twenty days and applicant is directed to install improvements necessary to enable it to deliver water free from objectionable matters.

*E. W. Sargent* and *W. G. Cooke*, by *W. G. Cooke*, for Applicant.

*Arthur Keetch*, for consumers.

*William Hazlett*, for city of South Pasadena.

**BRUNDIGE**, *Commissioner*.

### OPINION.

The applicant herein, supplying water to about 110 consumers in South Pasadena, asks permission to increase rates.

A public hearing was held in Los Angeles, June 19, 1919.

The Title Guarantee and Trust Company, is trustee for the bondholders of the Glendale Consolidated Water Company, which formerly owned and operated a number of water systems in Los Angeles County. All of these water systems, except the South Pasadena plant, have been sold to the municipalities in which they are located. The South Pasadena system is now the only one owned and operated by applicant.

Applicant contends that the present value of its plant is \$24,843.18, which includes \$8,100 for so-called water right at the rate of \$1,000 per miner's inch.

The necessary annual charges required to support the system are set forth by applicant as follows:

*Disbursements for year 1917-1918.....	\$2,295 99
†Disbursements for year 1918-1919.....	2,706 97
Total .....	\$5,002 96
Average disbursements per year.....	2,501 48
Depreciation, 10 per cent on value of plant, less value of water.....	1,674 38
Interest, 8 per cent on value of plant.....	1,987 00
Total average annual charges.....	\$6,162 86

Receipts from operation have been as follows:

April 1, 1917, to March 31, 1918.....	\$1,956 08
April 1, 1918, to March 31, 1919.....	1,747 70
Total for two years .....	\$3,703 78
Average per year.....	1,851 89

Applicant, therefore, claims that the average net loss per year from operation has been \$4,310.97 and asks the Commission to establish rates which will yield a revenue of \$6,162.86 per year.

The present rates charged by applicant are \$1.25 for 1300 cubic feet and 7 cents per 100 cubic feet for quantities used in excess of 1300 cubic feet.

\*April 1, 1917, to March 31, 1918.

†April 1, 1918, to March 31, 1919.

The Commission's engineer testified that the estimated original cost of the system was \$21,820, but that the plant was largely overbuilt, having been originally constructed for some 600 consumers. He therefore concludes that \$16,051 is a fair estimate of original cost for a system capable of serving present consumers. His estimate of annual charges is as follows:

Interest at 8 per cent on \$16,051.....	\$1,284 00
Depreciation annuity, computed upon 6 per cent sinking fund basis.....	252 00
Maintenance and operating expense.....	2,924 76
Total annual charges .....	\$4,460 76

As the average annual receipts from the sale of water for the past two years have been \$1,851.89, it is at once apparent that consumers would be called upon to pay exorbitant and unreasonable rates for water if sufficient revenue were provided to meet either of the foregoing schedules of annual charges.

It has been stated before that the water plant serving South Pasadena is the one small remaining unit of a once extensive system and this Commission can not be expected to fix rates which will place unreasonable burdens upon the few remaining consumers.

As some measure of the value of water service in the same vicinity the rates charged by the following public utilities will be of value:

*San Gabriel Valley Water Company.*

600 cubic feet.....	\$1 00
600 to 5000 cubic feet .....	12 per 100 cubic feet
5000 to 50,000 cubic feet.....	10 per 100 cubic feet
Over 50,000 cubic feet.....	05 per 100 cubic feet

*Van Nuys Water System.*

800 cubic feet.....	\$1 00
800 to 2000 cubic feet.....	125 per 100 cubic feet
Over 2000 cubic feet.....	00 per 100 cubic feet

*California-Michigan Land and Water Company.*

500 cubic feet.....	\$1 00
500 to 2000 cubic feet.....	20 per 100 cubic feet
Over 2000 cubic feet.....	04 per 100 cubic feet

Substantial justice will be secured for both the utility and consumers in the schedule of rates set out in the accompanying order.

A considerable amount of testimony was introduced by consumers to the effect that water had been entirely shut off at frequent intervals and that at times the water delivered contained both vegetable and animal matter and oil. It was contended that the vegetable matter frequently obstructed faucets and other fixtures and that the other conditions made the water undesirable for any other use than the irrigation of lawns.

An inspection and investigation of these conditions was made on July 5 by the Commission's engineers who found the water in the reservoirs quite low, not clean and containing a considerable quantity of algae. The cause of the oily condition could not be definitely determined. It is apparent that the reservoirs should be cleaned; that the covers and screens should be replaced to prevent the ingress of foreign matter; that the grounds around the pumping plant should be cleaned, and that the arrangement of outlet pipes in the reservoir should be changed so as to prevent drawing water from the lower portions of the reservoirs.

I submit herewith the following form of order:

### ORDER.

Title Guarantee and Trust Company, trustee for the bondholders of the Glendale Consolidated Water Company, having made application to this Commission for permission to increase rates for water supplied to consumers in South Pasadena and vicinity, a public hearing having been held, and being fully advised in the matter,

*It is hereby found as a fact* that the rates now charged by applicant for water delivered to consumers, in so far as they differ from the rates set forth in this order, are unjust and unreasonable, and that the rates so established by this order are just and reasonable rates to be charged for water supplied to consumers, and basing its order upon the foregoing finding of fact and upon the findings of fact contained in the preceding opinion,

*It is hereby ordered* that Title Guarantee and Trust Company, trustee for the bondholders of Glendale Consolidated Water Company, be and it is hereby authorized and directed to file with the Railroad Commission, within twenty days from the date of this order, and thereafter charge, the following rates for water delivered to consumers in South Pasadena and vicinity:

#### METERED RATES.

##### *Monthly minimum charges.*

½-inch and ¾-inch meters, per month.....	\$1 25
1 -inch meters, per month.....	1 50
1½-inch meters, per month.....	2 00
2 -inch meters, per month.....	3 00
3 -inch meters, or larger, per month.....	4 00

##### *General use.*

From 0 to 700 cubic feet, per 100 cubic feet.....	\$0 18
Over 700 cubic feet, per 100 cubic feet.....	125

##### *Flat rates.*

For each dwelling of 5 rooms or less, including bath and toilet, per month.....	\$1 25
For each additional room, per month.....	10
For each additional bathtub, per month.....	25
For each additional toilet, per month.....	25
For sprinkling of lawns, per square foot, per month.....	00½



*It is hereby further ordered* that applicant herein furnish to consumers an adequate supply of clear water, free from vegetable or animal matter or oil, and the collection of the foregoing rates is expressly conditioned upon the furnishing of such a supply to consumers.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this thirtieth day of August, 1919.

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DECISION No. 6633.

IN THE MATTER OF THE APPLICATION OF MIDWAY GAS COMPANY  
TO ACCEPT AND EXERCISE CERTAIN OPTIONS FOR THE PUR-  
CHASE OF STOCK OF VALLEY NATURAL GAS COMPANY.

Application No. 4837.

IN THE MATTER OF THE APPLICATION OF MIDWAY GAS COMPANY  
AND VALLEY NATURAL GAS COMPANY FOR AUTHORITY TO EXE-  
CUTE AND DELIVER A LEASE COVERING ALL AND SINGULAR  
THE PROPERTY OF SUCH VALLEY NATURAL GAS COMPANY.

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Application No. 4838.

Decided August 30, 1919.

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Midway company authorized to purchase 4000 shares of the outstanding stock of the Valley company at \$201.25 per share and the latter-named company to lease its gas properties to the Midway company at a rental specified in the lease agreement; provided, that neither the amount paid for stock purchased or rental of property shall be binding upon the Commission for rate-fixing purposes.

*Jared Howe*, for Applicants.

EDGERTON, *Commissioner*.

**OPINION.**

The above-entitled applications were consolidated for hearing and decision. In Application No. 4837, Midway Gas Company asks permission to purchase the outstanding stock, \$400,000, of Valley Natural Gas Company. In Application No. 4838, Valley Natural Gas Company asks permission to lease its properties to Midway Gas Company subject to the terms and conditions of the agreement filed at the hearing.

Both Midway Gas Company and Valley Natural Gas Company obtain natural gas from sources of supply in the Midway oil fields. Midway Gas Company transports its natural gas for distribution mainly in Los Angeles and vicinity, while Valley Natural Gas Company distributes its gas in Kern County. Through the discovery of new sources of supply in the Elk Hills oil fields, the supply of natural gas available to

Valley Natural Gas Company is much greater than, with its present facilities, it can distribute, while Midway Gas Company's facilities and available market would enable it to dispose of a larger supply of natural gas than it now distributes. The combining of the operation of the two companies will conserve the natural gas supply, decrease wastage, make possible a lower operating cost and an added natural gas supply for distribution in Los Angeles and vicinity, and possibly warrant the construction of an additional transmission line to Los Angeles, and will increase and extend the business of each company.

Applicants have entered into a proposed lease agreement whereby the Midway Gas Company will be given possession of the Valley Natural Gas Company properties and operate the same. A copy of the lease was filed at the hearing. Under this lease, the Midway Gas Company obligates itself to pay as rental \$24,150 on January 1, 1920, on July 1, 1920, on January 1, 1921, \$4,025 on January 1, 1921, and \$24,150 on the first day of August and the first day of February in each subsequent year during the term of the lease. Midway Gas Company further agrees to maintain the properties of Valley Natural Gas Company in good operating condition, to pay to Anglo-California Trust Company of San Francisco, trustee, on March 15, 1920, \$15,000 for the redemption of certain bonds of Valley Natural Gas Company due on that date and \$2,850 to pay maturing interest, and to pay on September 15, 1920, \$2,400 to meet maturing interest, and to advance to Valley Natural Gas Company such additional amounts as may be necessary to pay taxes to protect the franchises, rights and privileges of Valley Natural Gas Company.

Valley Natural Gas Company reports \$400,000 of common stock (4000 shares) and \$95,000 of 6 per cent bonds outstanding. All of the stockholders of Valley Natural Gas Company, with the exception of the holders of two shares, have given or agreed to give options for the purchase of their stock to Midway Gas Company. The Midway Gas Company has accepted the options and is willing to pay \$201.25 per share for the stock.

Under the option agreements, Midway Gas Company is required to pay for 1000 shares of Valley Natural Gas Company on or before October 1, 1919, for 999 during January, 1920, and for 1999 during January, 1921. The Midway Gas Company is willing to pay \$201.25 per share for the two shares on which it has at this time no options.

Reports filed with the Commission indicate that the sum of \$567,694 has been invested in the Valley Natural Gas Company properties. The stockholders of the company regard the properties as a valuable asset, and it was only after prolonged negotiation that the parties were able to arrive at a satisfactory sale and purchase price.

The Midway Gas Company intends to pay for the properties from its surplus earnings and by drawing to some extent upon its depreciation fund. It has no intention to issue any bonds or stock to pay either in whole or in part for the properties.

I herewith submit the following form of order:

**ORDER.**

Midway Gas Company having asked permission to purchase the stock of Valley Natural Gas Company and Valley Natural Gas Company having asked permission to lease its properties to Midway Gas Company, a public hearing having been held and the Railroad Commission being of the opinion that these applications, subject to the conditions contained herein, should be granted,

*It is hereby ordered* that Midway Gas Company be, and it is hereby, authorized to purchase at a cost of not exceeding \$201.25 per share 4000 shares of outstanding stock of Valley Natural Gas Company, such purchase to be made pursuant to the agreements filed in Application No. 4837.

*It is hereby further ordered* that Valley Natural Gas Company be, and it is hereby, authorized to lease its properties to Midway Gas Company pursuant to the terms and conditions of the agreement filed at the hearing in Application No. 4838.

The authority herein granted is upon the following conditions and not otherwise:

1. Neither the amount which Midway Gas Company is authorized to pay for the stock of Valley Natural Gas Company, nor as rental for the properties, shall be interpreted as fixing the measure of value of Valley Natural Gas Company properties for rate-fixing or any purpose other than the sale of the stock or the lease of the properties herein authorized.

2. Midway Gas Company shall submit to the Railroad Commission for approval the bookkeeping entries relative to the purchase of the stock of Valley Natural Gas Company.

3. Within thirty days after the execution of the lease herein authorized, Midway Gas Company shall file with the Railroad Commission a verified copy of said lease.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this thirtieth day of August, 1919.

## DECISION No. 6634.

IN THE MATTER OF THE COMMISSION'S INVESTIGATION INTO THE PRACTICES OF SONOMA VALLEY WATER, LIGHT AND POWER COMPANY, AND THE INTEREST AND RESPONSIBILITY OF GEORGE L. PAYNE, ALEXANDER D. KEYES, THE ANGLO AND LONDON PARIS NATIONAL BANK, OR ANY OF THEM, THEREIN.

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Case No. 1351.

Decided August 30, 1919.

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Water service rendered by respondent having been found to be inadequate and unsatisfactory, it is directed to immediately install a 25,000-gallon storage tank and to rehabilitate its pumping plant and well so as to enable it to deliver to its consumers an adequate supply of water.

BY THE COMMISSION.

**OPINION.**

Certain consumers of water, receiving their supply from the system of Sonoma Valley Water, Light and Power Company, residing in Sonoma, El Verano, and vicinity, Sonoma County, having complained to the Commission that the company and those interested and responsible for its operation have refused and neglected to furnish an adequate supply of water, and it appearing that some consumers have been without water for some time, the Commission instituted an investigation, on its own motion, into the practices of the company and of those responsible or interested therein.

A public hearing was held in San Francisco on August 4, 1919.

This water system served about seventy-five consumers in Sonoma, El Verano and vicinity and supplied water for fire protection through twelve hydrants to the city of Sonoma. The water supply was derived from the gravity flow of Lennox and Carriger creeks, supplemented in the summer months by pumping from a well in the city of Sonoma.

Testimony showed that pumping was not commenced this season when the creek-flow diminished and that a 25,000-gallon tank, formerly used as a balancing reservoir during the pumping season, had been removed by a former employee of the company. A gate valve in the main pipe between El Verano and Sonoma was closed and consumers on the lower end of the pipe line were entirely deprived of water.

Practically all of the former consumers within the city of Sonoma have now been connected to the mains of Sonoma City Water Company, but some consumers, between the gate valve and the city limits, are without water service. The supply to other consumers is not entirely adequate and it was conclusively shown and admitted by the present operator that the 25,000-gallon tank should be reinstalled and the gravity supply supplemented by pumping.

It was shown that the capital stock of Sonoma Valley Water, Light and Power Company consists of 100,000 shares of a par value of \$1 each, all issued and outstanding; that the Anglo and London Paris National Bank at one time held all of the stock of the corporation as collateral for \$15,000 loaned by the bank. About two years ago the stock was sold to W. Chester and there was received in payment a note signed by Chester, but the stock certificates were retained by the bank.

In 1917 this water system, together with other property, was encumbered to secure certain bonded indebtedness. The bondholders, of which Mr. Payne was one, foreclosed and Mr. Payne purchased the property at foreclosure sale. This lien was prior to all other claims against the property and George L. Payne, through foreclosure proceedings, became and now is the owner of the utility property.

As such owner, he is charged with the obligation to properly conduct this property, so as to insure to the public adequate service at reasonable rates.

#### ORDER.

An investigation having been instituted on the Commission's own motion in the above-entitled proceeding, a public hearing having been held, and the Commission being fully informed in the matter, and basing its order upon the findings of fact contained in the preceding opinion,

*It is hereby ordered* that George L. Payne be, and he is hereby, directed to begin at once and proceed diligently to install a 25,000-gallon tank, to rehabilitate the pumping plant and well and to operate the same, and do all other things necessary to furnish an adequate supply of water to the consumers receiving their water supply from the system of the Sonoma Valley Water, Light and Power Company;

*And it is hereby further ordered* that George L. Payne furnish to this Commission, each week, a written report setting forth the progress made in carrying out the terms of this order.

Dated at San Francisco, California, this thirtieth day of August, 1919.

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DECISION No. 6635.

PACIFIC LIGHT AND POWER CORPORATION, A CORPORATION,

vs.

CITY OF PASADENA, A MUNICIPAL CORPORATION, AND CITY OF  
SOUTH PASADENA, A MUNICIPAL CORPORATION.

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Case No. 926.

Decided August 30, 1919.

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CERTIFICATES—EXERCISE OF FRANCHISE RIGHTS—WHEN NOT REQUIRED.—An incorporated city operating an electrical distributing system in territory beyond its own incorporate limits under a franchise secured from another municipality

does not have to obtain a certificate of public convenience and necessity from this Commission when it is shown conclusively that service was rendered under such franchise prior to March 23, 1919, the effective date of the Public Utilities Act.

**JURISDICTION—PUBLIC UTILITIES—PRIVATELY AND PUBLICLY OWNED.**—It is held that under the plenary provisions of the Constitution of California the legislature is given unlimited power to vest the Railroad Commission with jurisdiction respecting public utilities, such provisions not being limited in their applicability to the particular utilities specifically defined in the Constitution itself.

**JURISDICTION—PUBLICLY OWNED UTILITIES.**—The legislature has subjected to the jurisdiction of the Railroad Commission every corporation supplying electric energy for compensation generally to the public, the definition of such not being limited to privately owned and operated corporations, and is equally applicable to public as well as private corporations. Defendant, in so far as it serves electric energy for compensation outside of its own incorporate limits, is held to be a public utility subject to the jurisdiction of the Railroad Commission and it is directed to file with the Railroad Commission rates and rules for electric service to consumers within the limits of the city of South Pasadena.

*Gibson, Dunn & Crutcher, James A. Gibson, for Complainant.*

*J. H. Howard, for Defendants.*

*H. H. Trowbridge and John R. Dixon, amici curie, on behalf of Complainant.*

*EDGERTON, Commissioner.*

#### OPINION.

This case is presented upon an agreed statement of facts, the question at issue being solely one of law. Briefly, the facts are that from about September, 1900, complainant, Pacific Light and Power Corporation, itself and through its predecessor San Gabriel Electric Company, has been supplying electric energy for light and power purposes to the inhabitants of the city of South Pasadena. In so doing complainant is admittedly a public utility subject to the provisions of the Public Utilities Act and the jurisdiction of the Railroad Commission.

Defendant, city of Pasadena, a municipal corporation, for many years has owned and operated an electric utility system used to supply electric energy for light and power purposes to the inhabitants of that municipality. On December 10, 1909, the city of Pasadena commenced the service of electric energy for light and power purposes to the Raymond Hotel situated within the municipal limits of the city of South Pasadena, and has greatly increased the number of its consumers within that city, until at the time this proceeding was instituted the city of Pasadena was serving over 100 consumers within the municipal limits of the city of South Pasadena. The agreed statement of facts recites: "That since the tenth day of October, 1911, the city of Pasadena has been furnishing electricity for heating, lighting and power to the inhabitants of the city of South Pasadena under and by virtue of the provisions of section 19 of Article XI of the Constitution of the State of California as then amended; that on April 7, 1914, and pursuant to an act of the legislature of the State of California, entitled 'An act granting to municipal corporations of the State of California the

right to construct, operate and maintain water and gas pipes, mains or conduits, electric light and electric power lines, and telephone and telegraph lines along or upon any road, street, alley, avenue or highway or across any railway, canal, ditch, or flume,' approved April 10, 1911 (Statutes 1911, p. 852), the governing body of the city of South Pasadena, to wit, the board of trustees thereof, by order made and passed by more than a two-thirds vote of said body, granted to the city of Pasadena the right to use and occupy the streets, alleys, avenues and highways of the city of South Pasadena for the construction, operation and maintenance of overhead and underground electric light and electric power lines."

The basis of the complaint of Pacific Light and Power Corporation is that the city of Pasadena, in so far as it supplies electric energy for compensation to consumers outside the territorial limits of the municipality, is a public utility subject to the provisions of the Public Utilities Act and the jurisdiction of the Railroad Commission. The complaint prays for an order requiring the city of Pasadena to obtain from the Railroad Commission, under section 50 of the Public Utilities Act, a certificate of public convenience and necessity before serving electric energy within the limits of the city of South Pasadena, complainant already being engaged in the public utility business of supplying electric energy within that area. The complaint also prays that the city of Pasadena be required to file with the Railroad Commission its rates for electric energy supplied within the limits of the city of South Pasadena.

As to the necessity of obtaining a certificate of public convenience and necessity the agreed statement of facts shows that the city of Pasadena commenced the service complained of prior to March 23, 1912, when the Public Utilities Act became effective, and under the provisions of section 50 of that act a certificate of public convenience and necessity is not necessary to a continuance of the service already initiated when the act became effective. The question still remains, however, as to the necessity of the city of Pasadena filing with the Railroad Commission its rates for electric energy supplied to consumers within the city of South Pasadena. The answer to this question depends upon the extent, if any, to which the city of Pasadena is subject to the provisions of the Public Utilities Act and the jurisdiction of the Railroad Commission when engaged in a public utility service outside the municipal limits. No question is presented in this proceeding as to the amenability of the city to the provisions of the Public Utilities Act and the jurisdiction of the Railroad Commission in so far as public utility service is rendered within the municipal limits; and counsel have suggested distinctions in fact and in law which might result in the adoption of a different conclusion as to the jurisdiction of the Railroad Commission over intramunicipal service from that applicable to extra-

municipal service. Accordingly, I shall in this opinion confine myself solely to the issue presented, namely, the jurisdiction of the Railroad Commission over the rates charged by the city of Pasadena for a public utility service supplied by the municipality to consumers outside the municipal limits.

The argument against the Commission's jurisdiction is based almost entirely upon the use of the words "private corporation" in section 23, Article XII of the State Constitution. That section provides in part:

"Every private corporation, and every individual or association of individuals, owning, operating, managing, or controlling any commercial railroad, interurban railroad, street railroad, canal, pipe-line, plant, or equipment, or any part of such railroad, canal, pipe-line, plant or equipment within this state, for the transportation or conveyance of passengers, or express matter, or freight of any kind, including crude oil, or for the transmission of telephone or telegraph messages, or for the production, generation, transmission, delivery or furnishing of heat, light, water or power or for the furnishing of storage or wharfage facilities, either directly or indirectly, to or for the public, and every common carrier, is hereby declared to be a public utility subject to such control and regulation by the Railroad Commission as may be provided by the legislature, and every class of private corporations, individuals, or associations of individuals hereafter declared by the legislature to be public utilities shall likewise be subject to such control and regulation. The Railroad Commission shall have and exercise such power and jurisdiction to supervise and regulate public utilities, in the State of California, and to fix the rates to be charged for commodities furnished, or services rendered by public utilities as shall be conferred upon it by the legislature, and the right of the legislature to confer powers upon the Railroad Commission respecting public utilities is hereby declared to be plenary and to be unlimited by any provision of this Constitution."

It is contended that the use of the words "private corporation" in this section of the Constitution absolutely precludes the legislature from vesting in the Railroad Commission any jurisdiction whatever with reference to the public utility operations of any municipality or public corporation. Reliance is placed in part upon section 19, Article XI of the Constitution, which gives to municipalities the right to establish and operate certain defined public utilities and, under the conditions therein specified, to operate these utilities beyond the municipal limits. It is contended that this section gives to municipalities the right to operate public utilities without any supervision or regulation by the state.

I am unable to agree that these provisions of the Constitution prohibit the legislature from vesting the Railroad Commission with any jurisdiction whatever over public utilities owned and operated by municipalities. At the outset section 23 of Article XII of the Constitution defines certain businesses conducted by "a private corporation, and every individual or association of individuals" to be public utilities subject to such regulation by the Railroad Commission as may be imposed by the legislature. Under decisions of our Supreme Court to which I shall later refer, it appears to be perfectly proper to hold that municipal corporations, in so far as they engage in public utility



enterprises as distinguished from the exercise of governmental functions, must be regarded as falling within the phrase "a private corporation, and every individual or association of individuals," as that phrase is used in section 23 of Article XII of the Constitution. Aside from this point, however, it should be noted that after specifically defining these businesses to be public utilities, section 23 of Article XII continues:

"The Railroad Commission shall have and exercise such power and jurisdiction to supervise and regulate public utilities, in the State of California, and to fix the rates to be charged for commodities furnished, or services rendered by public utilities as shall be conferred upon it by the legislature, and the right of the legislature to confer powers upon the Railroad Commission respecting public utilities is hereby declared to be plenary and to be unlimited by any provision of this Constitution."

Also section 22 of Article XII, after specifically bringing within the jurisdiction of the Railroad Commission, "railroad and other transportation companies," continues:

"No provision of this Constitution shall be construed as a limitation upon the authority of the legislature to confer upon the Railroad Commission additional powers of the same kind or different from those conferred herein which are not inconsistent with the powers conferred upon the Railroad Commission in this Constitution, and the authority of the legislature to confer such additional powers is expressly declared to be plenary and unlimited by any provision of this Constitution."

Under these plenary provisions of the Constitution the legislature is given unlimited power to vest the Railroad Commission with jurisdiction respecting public utilities. The provisions are not limited in their applicability to the particular utilities specifically defined in the Constitution itself, but give to the legislature unlimited power irrespective of all other provisions of the Constitution to vest in the Railroad Commission any jurisdiction whatever respecting any or all public utilities. In other words, under these plenary constitutional provisions the legislature can if it so desires vest in the Railroad Commission jurisdiction over any or all classes of public utilities whether privately or publicly owned and operated.

Accordingly we must look to the Public Utilities Act (Statutes 1915, p. 115) to see what the legislature has done. The classes of public utilities subject to the provisions of that act and the jurisdiction of the Railroad Commission are defined in various subdivisions of section 2.

Section 2 (*bb*) provides in part:

"The term 'public utility' when used in this act includes every common carrier, pipe-line corporation, gas corporation, electrical corporation, telephone corporation, telegraph corporation, water corporation, wharfinger and warehouseman where the service is performed for or the commodity delivered to the public or any portion thereof."

This subsection declares every "electrical corporation" where the service is performed for or the commodity delivered to the public or any portion thereof to be a public utility.

## Section 2 (r) provides:

"The term 'electrical corporation' when used in this act includes *every corporation or person*, their lessees, trustees, receivers, or trustees appointed by any court whatsoever, owning, controlling, operating, or managing any electric plant for compensation within this state, except where electricity is generated upon or distributed by the producer through private property alone solely for his own use or the use of his tenants and not for sale to others."

## Section 2 (c) and (d) provide:

(c) "The term 'corporation' when used in this act includes a corporation, a company, an association, and a joint stock association."

(d) "The term 'person' when used in this act includes an individual, a firm and a copartnership."

In each of these definitions the legislature has subjected to the jurisdiction of the Railroad Commission every corporation supplying electric energy for compensation generally to the public. There is nothing in these definitions which purports to limit their effect only to privately owned and operated corporations. The term "corporation" is used without any qualifying limitation, and is equally applicable to a corporation publicly owned as to one privately owned. The contention of complainant, therefore, that the term "private corporation" used in section 23 of Article XII of the Constitution defeats the jurisdiction of the Railroad Commission in the present proceeding, is untenable inasmuch as the legislature, which, under the Constitution, has unlimited power to define public utilities subject to the jurisdiction of the Railroad Commission, has not qualified the term "corporation" to exclude those which may be municipally owned. The legislative definition does not apply to private corporations only, but to *every corporation*.

Furthermore, there is a well-established rule that when a municipal corporation engages in the public utility business it ceases to act in its governmental capacity and is to be regarded, as to its rights and obligations, on exactly the same plane as any person or private corporation engaged in the same business. Our own Supreme Court definitely announced this principle in *South Pasadena vs. Pasadena Land and Water Company*, 152 Cal. 579. In that case the Supreme Court had before it for decision the character of the obligations of the city of Pasadena in supplying water to the inhabitants of South Pasadena, which decision is, of course, peculiarly pertinent in the present proceeding. The court decided that in performing this public utility service the city of Pasadena was acting—not in a governmental capacity, but in a proprietary capacity, and was subject to the rights and obligations which would be imposed upon any privately owned public utility performing the same service including the obligation of having its rates fixed by the city of South Pasadena in accordance with the provisions of section 19, Article XI of the Constitution, which at

that time vested the control of public utility rates in the municipalities of the state. I call attention to the fact that the power of municipalities to regulate rates of public utilities operating within their limits as provided by section 19 of Article XI of the Constitution was transferred to the Railroad Commission by an amendment adopted November 3, 1914, to section 23 of Article XII of the Constitution. It is important to bear this fact in mind in considering the decision of the Supreme Court in the Pasadena case. The conclusion of the court in the Pasadena case under the constitutional provisions then existing is stated on page 592 as follows:

"Under the Constitution South Pasadena has power to fix the rates to be charged for water supplied to its inhabitants and to control the manner of laying and repairing pipes in its streets for that purpose. Necessarily it has this power as against another city engaged in supplying such water, as well as when an individual or water corporation does so. It is suggested that the two cities each represent the sovereign power and would have equal authority in all municipal affairs, that a conflict would ensue, and that such consequences can not be considered as intended, unless the intention is expressly and unmistakably declared. In this connection the rule is invoked that there can not be two municipalities exercising the same powers at the same time within the same territory. But the two cities would not be of equal authority with respect to the use of water in South Pasadena, in such a case. South Pasadena would have the power above stated, under the constitution, and Pasadena, so far as that service is concerned, would be subject to those powers, to the same extent as the Pasadena Land and Water Company is now subject thereto. In the carrying on of the water service to the people of South Pasadena the city of Pasadena will not be acting in its political, public, or governmental capacity as an agent of the sovereign power equal in all respects to the city within which it operates. In administering a public utility, such as a water system, even within its own limits, a city does not act in its governmental capacity, but in a proprietary and only quasi-public capacity. [*Daroust vs. Alameda*, 149 Cal. 70 (84 Pac. 760) ; *Illinois, etc. Bank vs. Arkansas City*, 76 Fed. 271 (22 C. C. A. 171) ; *Esberg Cigar Co. vs. Portland*, 34 Or. 282 (75 Am. St. Rep. 651, 55 Pac. 961).] Having taken over the whole system subject to the burden of supplying a part of the water to inhabitants of South Pasadena, the city of Pasadena will have no greater rights or powers, respecting that part of the service, than its grantor previously had. It will be under the same obligation as its grantor to continue the service and supply the water to all persons who may become entitled to it in the future, so long as it retains possession and control of the property so charged. [*Fellows vs. Los Angeles*, 151 Cal. 52 (90 Pac. 141).] The powers of the two cities in regard to this water service will be separate and distinct, one will be subordinate to the other, and, hence, there will not be two cities exercising the same powers in the same territory at the same time; South Pasadena, within its own limits, will be the sole representative of sovereignty in the fixing of rates, and in the supervision of the streets; and Pasadena will be subject thereto, as a private person. If, by fixing too low rates, South Pasadena should attempt to compel the service to be made at a loss, Pasadena would have the same remedies, and no greater, in the courts, that a quasi-public corporation or natural person would have in the same circumstances. The fact that the outside service is within another city does not appear to be a significant factor in the question of the power. If it were in a rural community, the rates charged would be subject to judicial control to make them reasonable. Being in another city, the serving city has a right to demand reasonable rates and may enforce them if not granted. The limitations would not affect the power in one case more than in the other."

The distinction between governmental and private functions of a municipality was again considered by the Supreme Court in *Chafor vs. City of Long Beach*, 174 Cal. 478, in which the court stated on page 486:

"That the distinction between governmental and private functions has been adopted as the principle governing the adjudications in this state, our decisions leave no doubt. Thus in the early case of *Touchard vs. Touchard*, 5 Cal. 306, 307, it is said: 'A corporation, both by the civil and common law, is a person, an artificial person, and although a municipal corporation has delegated to it certain powers of government, it is only in reference to those delegated powers that it will be regarded as a government. In reference to all other of its transactions, such as affect its ownership of property in buying, selling, or granting, and in reference to all matters of contract, it must be looked upon and treated as a private person.' In *Bloom vs. San Francisco*, 64 Cal. 503 (3 Pac. 129), in the conduct of the municipal hospital the city and county maintained a nuisance. Action was brought to recover damages occasioned by this nuisance, and it was held that 'the city and county of San Francisco had such proprietorship of the city and county hospital as rendered it liable for damages in the case presented.' In *South Pasadena vs. Pasadena Land, Etc. Co.* 152 Cal. 579 (93 Pac. 490), it is declared that in the carrying on of a water service for the benefit of South Pasadena the city of Pasadena will not be acting in its political, public, or governmental capacity. And in *Daroust vs. City of Alameda*, 149 Cal. 69 (9 Ann. Cas. 847, 5 L. R. A., N. S. 536, 84 Pac. 760), this court reviewing our cases, and drawing the indicated distinction between governmental and proprietary functions, held that the negligent operation of an electric light plant by the city, which light plant was operated for the twofold purpose of lighting the city and furnishing electric light and power to its inhabitants, made the city liable, upon the ground that it was not exercising any governmental power or function."

In *Nourse vs. Los Angeles*, 25 Cal. Appeals 384, the principle was announced on page 385 as follows:

"Under its charter the city has assumed the duty of operating a water system for the purpose of supplying water to its inhabitants. In the performance of this duty it acts, not in its sovereign capacity, but in the capacity of a private corporation engaged in like business. [*Appeal of Brumm*, (Pa.) 12 Atl. 855; *Linne vs. Bredex*, 43 Wash. 540 (117 Am. St. Rep. 1068, 6 L. R. A. [N. S.] 707, 85 Pac. 858); 1 Wymann on Public Service Corporations, p. 187.] Like a private corporation, it is the duty of this city to furnish without discrimination to all its inhabitants who apply therefor a supply of water upon such applicants complying with such reasonable rules and regulations as it may lawfully establish for the conduct of the business."

In my opinion, these decisions clearly hold that when a municipality engages in a public utility business, certainly in so far as extraterritorial service is concerned, the municipality is to be regarded as acting in the capacity of a private corporation or individual and is subject to the same obligations and enjoys the same rights, in so far as its public utility operations are concerned, as a private corporation or individual engaged in such a business.

I believe the conclusion irresistible therefore, that the city of Pasadena in supplying a public utility service to the inhabitants of the city of South Pasadena must be regarded as coming within the phrase "private corporation, and individual or association of individuals" as that phrase is used in section 23 of Article XII of the Constitution specifically defining certain public utilities to be subject to regulation by the Railroad Commission. It is my conclusion also that this service clearly comes within the definition contained in the Public Utilities Act itself.

As before stated, I am limiting my decision to municipal public utility service rendered beyond the limits of the municipality. There

may be considerations which would require a different conclusion as to service rendered to the inhabitants of the municipality owning the utility. That question, however, is not presented in this case.

I submit the following form of order:

#### ORDER.

This case having come on regularly for hearing upon complaint and answer duly filed and argument being had upon the motion of defendants that the proceeding be dismissed for lack of jurisdiction,

*It is hereby ordered* that the motion of defendants to dismiss the complaint herein for lack of jurisdiction be, and the same is hereby, denied.

*It is further ordered* that the city of Pasadena, a municipal corporation, be, and it is hereby, ordered and directed within twenty days from the date of this order to file with the Railroad Commission a complete schedule of all its rates, charges, rules and regulations for the service of electric energy to consumers within the limits of the city of South Pasadena.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this thirtieth day of August, 1919.

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#### DECISION No. 6655.

IN THE MATTER OF THE APPLICATION OF BLACK DIAMOND WATER COMPANY, A CORPORATION, AND PITTSBURG WATER COMPANY, A CORPORATION, FOR AN ORDER AUTHORIZING THE TRANSFER OF PROPERTIES, THE EXECUTION OF A MORTGAGE AND THE ISSUE OF BONDS AND STOCK.

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Application No. 4806.

Decided September 6, 1919.

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**SECURITY ISSUES—RATE OF RETURN—CAPITALIZATION OF LOSSES.**—It is held that while at times the Commission has established rates designed to provide a return of 8 per cent such decisions are based solely on the facts of that particular case and are not to be taken as establishing a policy to be followed in all proceedings. A utility will not be permitted to capitalize a difference between the return actually received and an 8 per cent return on its property values.

**WORKING CAPITAL.—ISSUANCE OF SECURITIES FOR.**—In the transfer of public utility property, the purchasing company is permitted to issue stock instead of bonds for the purpose of acquiring the necessary working capital.

Black Diamond company authorized to transfer its property and rights to the Pittsburg company and the latter to issue \$26,200 par value of common stock and

\$63,000 par value of bonds, such securities to be delivered in exchange for properties acquired with the exception of \$5,000 of stock, which is to be sold at par and proceeds used for working capital.

*B. D. Marx Greene*, for Applicants.

DEVLIN, *Commissioner*.

### OPINION.

The Railroad Commission is asked to make an order authorizing—

1. Black Diamond Water Company to sell and Pittsburg Water Company to purchase all of the properties of Black Diamond Water Company.

2. Pittsburg Water Company to execute a mortgage.

3. Pittsburg Water Company to issue \$34,000 of stock and \$63,000 of bonds to pay for the properties of Black Diamond Water Company.

4. Pittsburg Water Company to issue \$5,000 of bonds or stock for and as working capital.

For a description of the properties of Black Diamond Water Company, the extent and method of its operations, reference is here made to Decision No. 3247, dated April 17, 1916 (Vol. 9, Opinions and Orders of the Railroad Commission of California, page 710), and Decision No. 6470, dated June 30, 1919.

In Decision No. 6470, the Commission established a rate schedule designed to yield the following annual charges:

Interest .....	\$6,500 00
Depreciation annuity .....	2,835 00
Maintenance and operating expenses.....	16,222 00
Total .....	\$25,557 00

The Commission's attention is called to the appraisal of the properties by H. A. Noble, one of the Commission's engineers, and by A. Kempkey, engineer for the company, such appraisals having been made in connection with Application No. 4471, and referred to in Decision No. 6470. H. A. Noble estimated the probable cost new of the properties as of June 1, 1919, at \$89,223 and allowed a 4 per cent sinking fund annuity of \$2,373. A. Kempkey estimated the probable original cost of the properties at \$98,328, and the depreciated cost at \$70,717. From the \$70,717, B. D. Marx Greene, attorney for Black Diamond Water Company and vice president and general manager of Pittsburg Water Company, in this proceeding deducts \$1,945, representing cost of pipe lines which went out of service, leaving a balance of \$68,772. Since the appraisal of the properties referred to, Black Diamond Water Company has purchased a barge at a cost of \$13,752 to haul water and made other improvements costing about \$1,000 which brings the probable depreciated cost of the properties up to \$83,524.

Pittsburg Water Company asks permission to issue bonds equal in amount to 75 per cent of the \$83,524 and common stock equal in amount to the remaining 25 per cent or \$63,000 of bonds and approximately \$21,200 of stock.

To the \$83,524, B. D. Marx Greene adds \$13,890 which he alleges represents the difference between an 8 per cent return on the reasonable cost of Black Diamond Water Company's properties and the actual net earnings of the company during the past three years. This difference, \$13,890, he characterizes as a development cost, adds it to the reported depreciated cost of the properties and proposes to issue \$13,890 of stock against it. His argument is based upon the theory that the Commission has recognized 8 per cent as a proper return on public utility investments. There is nothing in the Commission's decisions which warrants such a conclusion. It is true that at times the Commission has fixed rates designed to yield an 8 per cent return, but it should be remembered that in all rate, as well as all other proceedings, the orders of the Commission are based upon the facts then before it. In Decision No. 3257, dated April 17, 1916, in which decision the Commission fixed the rates of Black Diamond Water Company, there is no reference made to the establishment of rates yielding an 8 per cent return and even if such statement did appear in the decision, it would not follow that the alleged loss should be capitalized. The proper remedy in case of a loss would appear to be to ask for a revision of rates before or shortly after the effective date of the Commission's decision and not wait for three years and then apply for permission to capitalize the difference between the actual net return and an assumed return. The request to issue the \$13,890 against alleged losses should, in my opinion, be denied.

Pittsburg Water Company also asks permission to issue \$5,000 of stock or bonds for the purpose of obtaining working capital. The properties of the Black Diamond Water Company are to be transferred to the Pittsburg Water Company free and clear of all indebtedness. The Black Diamond Water Company will, however, retain the cash in its treasury and its current assets. In order to put the new company in a condition where it may go ahead with its public utility functions, it is apparent that it should be provided with a certain cash working fund. It occurs to me that this fund should be obtained through the issue of stock rather than bonds. It appears that the F. E. Booth Company, who owns all of the stock of Black Diamond Water Company, has agreed to advance to Pittsburg Water Company, \$5,000 for working capital, provided that company issue to it \$5,000 of its stock or bonds. If prices decline and the necessity for a working capital as large as

\$5,000 disappears, part of the moneys herein allowed for working capital should be invested in permanent improvements and construction.

Pittsburg Water Company also asks permission to execute to Union Trust Company of San Francisco a mortgage securing the payment of \$100,000 of 6 per cent bonds, due July 1, 1949. The proposed mortgage will constitute a first lien upon the properties to be acquired by Pittsburg Water Company. Of the bonds, \$63,000 may be issued forthwith and the remaining \$37,000 from time to time in an amount or amounts not exceeding 75 per cent of their reasonable cost to the company of any new or additional properties purchased or acquired or of any permanent extensions, additions, improvements or betterments.

I herewith submit the following form of order:

**ORDER.**

Black Diamond Water Company having applied to the Railroad Commission for authority to sell its properties described in Exhibit "C," attached to the petition herein, to Pittsburg Water Company, and Pittsburg Water Company having applied to the Railroad Commission for permission to purchase said properties and to issue bonds and stock, a public hearing having been held, and the Commission being of the opinion that the money, property or labor to be procured or paid for by such issue of bonds or stock is reasonably required for the purpose or purposes specified in this order, and that such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income,

*It is hereby ordered* that Black Diamond Water Company be, and it is hereby, granted authority to sell to Pittsburg Water Company the properties described in Exhibit "C" attached to the petition herein.

*It is hereby further ordered* that Pittsburg Water Company be, and it is hereby, granted authority to execute a mortgage or trust deed substantially in the same form as the mortgage or trust deed attached to the petition herein and marked Exhibit "B."

*It is hereby further ordered* that Pittsburg Water Company be, and it is hereby, granted authority to issue \$26,200 of common stock and \$63,000 face value of bonds.

The authority herein granted is upon the following conditions and not otherwise:

1. The \$63,000 of bonds and \$21,200 of the stock herein authorized to be issued may be delivered to Black Diamond Water Company in exchange and in payment for the properties described in Exhibit "C" attached to the petition herein.



2. Stock in the amount of \$5,000, the issue of which is herein authorized, may be sold to Pittsburg Water Company for cash at not less than the par value thereof and the proceeds used for and as working capital.

3. The consideration at which the public utility properties are herein authorized to be transferred shall not be considered as a measure of value of said properties before this Commission or any other public body for rate-fixing or any purpose other than the transfer herein authorized.

4. The approval herein given of said mortgage or trust deed is for the purpose of this proceeding only and an approval only in so far as this Commission has jurisdiction under the terms of the Public Utilities Act, and is not intended as an approval of said mortgage or trust deed as to such other legal requirements to which said mortgage or trust deed may be subject.

5. Within thirty days after the execution by the petitioners herein of an instrument of conveyance transferring the properties herein referred to, a certified copy of said instrument of conveyance shall be filed with the Railroad Commission by Pittsburg Water Company.

6. Pittsburg Water Company shall keep such record of the issue and sale of the bonds and stock herein authorized and of the disposition of the proceeds, as will enable it to file on or before the twenty-fifth day of each month a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

7. The authority herein granted will not become effective until Pittsburg Water Company has paid the fee prescribed by the Public Utilities Act.

8. The authority herein granted to transfer property and issue bonds and stock shall apply only to such property as may be transferred and to such bonds and stock as may be issued on or before November 15, 1919.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this sixth day of September, 1919.

## DECISION No. 6656.

IN THE MATTER OF THE APPLICATION OF UNION HOME TELEPHONE  
AND TELEGRAPH CORPORATION FOR PERMISSION TO RENEW  
CERTAIN NOTES.

Application No. 4844.

Decided September 6, 1919.

W. W. Butler, for Applicant.

EDGERTON, Commissioner.

## OPINION.

Union Home Telephone and Telegraph Corporation requests authority to issue one-year notes having an aggregate face value of \$25,890.20, for the purpose of refunding an indebtedness of \$25,890.20 represented by notes set forth in Exhibit "A" attached to the petition herein.

Of the \$25,890.20 indebtedness, \$23,500 is represented by notes authorized by the Railroad Commission's order in Decision No. 5504, dated June 24, 1918. Of the notes heretofore authorized, \$20,500 are secured by a pledge of \$50,000 of applicant's first mortgage bonds. Applicant wishes to renew these notes with the same collateral, leaving \$5,390.20 of notes unsecured.

I herewith submit the following form of order:

## ORDER.

Union Home Telephone and Telegraph Corporation having applied to the Railroad Commission for authority to issue notes and to pledge bonds as collateral, and a public hearing having been held,

*It is hereby ordered* that Union Home Telephone and Telegraph Corporation be, and it is hereby, granted authority to issue, for a term of one year or less, notes, and pledge first mortgage bonds as follows:

Payee	Amount	Rate of Interest	Collateral—First mortgage bonds
San Bernardino National Bank.....	\$1,000 00	7%	Nos. 1562-1564, inc.
J. M. C. Marble Company.....	2,500 00	6%	Nos. 1534, 1565-1568, inc.
J. M. C. Marble Company.....	5,000 00	6%	Nos. 1524-1533, inc.
Kellogg S. & S. Company.....	3,000 00	6%	Nos. 1545-1552, inc.
Kellogg S. & S. Company.....	2,000 00	6%	Nos. 1516-1520, inc.
Kellogg S. & S. Company.....	4,000 00	6%	Nos. 1506-1515, inc.
First National Bank of Long Beach.....	2,000 00	6%	Nos. 1535-1540, inc.
J. M. C. Marble Company.....	1,000 00	6%	None.
First National Bank of Long Beach.....	1,000 00	6%	Nos. 1521-1523, inc.
Kellogg S. & S. Company.....	2,300 20	6%	None.
Merchants National Bank.....	1,000 00	7%	None.
Merchants National Bank.....	1,000 00	7%	None.
Total.....	\$25,890 20		

The authority herein granted is upon the following conditions and not otherwise:

1. The proceeds obtained from the issue of the notes herein authorized shall be used to pay or refund the notes listed in Exhibit "A," attached to the petition herein.

2. The notes herein authorized may be issued for a term of less than one year, and refunded from time to time through the issue of new notes, provided the term of the original notes and the notes issued to refund the same does not exceed one year.

3. If any payments are made on the notes herein authorized to be issued, there shall be returned to applicant's treasury a proper proportion of the bonds pledged as collateral, said bonds to be issued thereafter only upon further order of the Railroad Commission.

4. Union Home Telephone and Telegraph Corporation shall keep such record of the issue and sale of the bonds herein authorized and of the disposition of the proceeds, as will enable it to file on or before the twenty-fifth day of each month a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

5. The authority herein granted to issue notes shall not become effective until Union Home Telephone and Telegraph Corporation has paid the fee prescribed by the Public Utilities Act.

6. The authority herein granted to issue notes shall apply only to such notes as may be issued on or before December 31, 1919.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this sixth day of September, 1919.

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DECISION No. 6657.

IN THE MATTER OF THE APPLICATION OF THE CITY OF LOS BANOS  
FOR AN ORDER FIXING THE JUST COMPENSATION TO BE PAID  
WEST SAN JOAQUIN VALLEY WATER COMPANY FOR CERTAIN  
PROPERTIES.

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Application No. 3903.

Decided September 6, 1919.

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CONDEMNATION PROCEEDINGS—VALUATIONS—SEVERANCE DAMAGES.—No allowance will be made for severance damages in a valuation for condemnation purposes on the ground that the utility valued is owned by a corporation which also operates several additional water systems, the latter plants being separate and distinct from the utility proposed to be condemned.

The sum of \$36,000 is found to be a fair and reasonable price to be paid by the city of Los Banos for the water plant of West San Joaquin Valley Water Company, such price including physical properties, history, franchise and going value and other elements presented.

*Stephen P. Galvin*, for Applicant.

*Edward F. Treadwell*, for West San Joaquin Valley Water Company.

LOVELAND, *Commissioner*.

### OPINION.

This is a proceeding brought by the city of Los Banos under the provisions of section 47 of the Public Utilities Act, for an order of this Commission fixing the just compensation to be paid West San Joaquin Valley Water Company for its properties used in serving the inhabitants of the city of Los Banos with water for domestic, manufacturing and municipal purposes.

West San Joaquin Valley Water Company is a public utility corporation, engaged in the business of selling water in Los Banos, Dos Palos and South Dos Palos, each locality being served by a separate water system. The city of Los Banos, hereinafter referred to as "applicant," asks this Commission to fix the compensation to be paid for the water system serving the city of Los Banos.

Public hearings were held in this proceeding, at which testimony and appraisals were submitted concerning the value of the property of West San Joaquin Valley Water Company, hereinafter referred to as "the water company."

Appraisements were submitted of lands and physical structures by representatives of the water company and by the hydraulic engineers of this Commission.

The following tabulation sets forth the results of these appraisements:

	Company's appraisal	Commission's appraisal
Reproduction cost .....		\$45,647 00
Reproduction cost less depreciation.....		34,761 00
Present value .....	\$46,083 03	

At the hearing it was stipulated and agreed by the parties hereto that the value of the three lots upon which are located the pumping plant, tanks, et cetera, is \$5,000. Certain other corrections of inventory were submitted and agreed to, which modify to some extent the amounts reported by the Commission's engineers as the depreciated cost of the system. Correcting for these changes the Commission's engineers now report a depreciated reproduction cost of \$35,322. The sum reported by the water company which purports to be the present value of the

system is based largely upon actual cost records. Witnesses for the water company admitted that, in a great many instances, the sums reported as the value of various items had not been decreased by reason of depreciation. It is therefore obvious that the sum reported as present value is in excess of the actual depreciated cost of the system.

It was contended by representatives of the water company that some allowance over and above the value of the physical property should be included in the sum determined as the just compensation, for the value of franchise, severance damages and going concern value. Severance damages were claimed on the ground that the elimination of the Los Banos water system from the company's property would result in a greater cost of operation for the plants at Dos Palos and South Dos Palos. These systems are separate and distinct entities and some distance intervenes between the area served by each. Miller & Lux, owners of the water company, have extensive interests in all three towns and all water utility matters are handled from their offices by their regular employees. It is therefore evident that no increase in expenses would be incurred by the separation of the Los Banos system from the other properties.

The water company does not own and never has obtained a franchise from the city of Los Banos, but is operated under a so-called "constitutional franchise." The water system at Los Banos was originally constructed to serve Miller & Lux purposes, among which was the sale of town lots and other real estate. The water system was later extended and as the city grew the company became a public utility. Because of the conditions surrounding its inception and operation, this system has, until recently, been operating at a loss.

After carefully considering all of the elements of value going to make up the just compensation to be paid for the water company's plant, including value of physical properties, history of the plant, franchise and going value, and other elements presented, it appears that the value of the water system of the West San Joaquin Valley Water Company, which the city of Los Banos asks to have fixed, is in amount equal to the sum of \$36,000.

I submit herewith the following findings:

#### FINDINGS.

The city of Los Banos, a municipal corporation, having filed with this Commission a petition setting forth its intention to acquire, under eminent domain proceedings or otherwise, certain property and rights of West San Joaquin Valley Water Company within the boundaries of said city, and having applied to the Railroad Commission to fix and

determine the just compensation to be paid to West San Joaquin Valley Water Company for these certain properties and rights; public hearings having been held and the matter having been submitted, and the Commission being fully apprised in the premises,

*It is hereby found as a fact* by the Railroad Commission of the State of California, that the just compensation to be paid by the city of Los Banos to the West San Joaquin Valley Water Company for such of said company's properties and rights as are described in "Exhibit No. 1" attached hereto and made a part hereof, is the sum of \$36,000.

The foregoing opinion and findings are hereby approved and ordered filed as the opinion and findings of the Railroad Commission of the State of California.

Dated at San Francisco, California, this sixth day of September, 1919.

#### EXHIBIT NO. 1.

Lots 17, 18 and 19 of Block 65, City of Los Banos.

All rights of way, easements and licenses, owned, occupied, held or used by West San Joaquin Valley Water Company, a corporation, duly organized and existing under the laws of the State of California, in connection with the pipe line and the water distributing system of said company, used by it in supplying water for domestic, manufacturing and municipal purposes to the City of Los Banos and its inhabitants.

Also the wells, pumps, tanks, sumps, boilers, pump houses, pipes, meters, services, valves and fittings, within the city limits of Los Banos, as follows, to-wit:

- 60 foot steel tower.
- 50,000 gallon wood stave tank.
- 22' x 22' x 10' galvanized iron shed.
- 40 foot wood tower and boiler house.
- 2 16,000 gallon wood stave tanks.
- 8½ x 12 Dean Duplex pump.
- 25 H.P. 1200 R.P.M., 60 cycle electric motor.
- Rawhide pinion and gear.
- 8 x 10 Brownell steam engine.
- 14 x 8½ Marsh steam pump.
- 4½ x 2½ x 4 Worthington duplex boiler feed pump.
- 3 x 2 x 3 Worthington steam pump.
- 6 x 4 x 5 Worthington duplex oil supply steam pump.
- 70 H.P. Brownell boiler and setting.
- 4 H.P. boiler and setting.
- 22' x 22' x 7' concrete oil tank.
- 530 gallon galvanized oil tank.
- 2 injectors.
- 30" x 60' riveted steel smoke stack.
- Automatic switch board, compensator and circuit breaker.
- Miscellaneous steam piping, covering, valves and fittings.
- Feedwater heater.
- 200 linear feet 6" galvanized suction and discharge pipe.
- 62 linear feet 5" galvanized discharge pipe.
- 500 linear feet 5" galvanized pipe to railroad.
- Gate valves and fittings on the above pipe.
- 12' x 12' x 6' brick sump.
- 6' x 8' x 7' concrete sump.

461 linear feet 12" riveted steel intake pipe and concrete intake structure.  
 400 feet deep artesian well.  
 Chlorine plant, house and chlorine tanks.  
 1470 linear feet 6" cast iron pipe.  
 16115 linear feet 4" cast iron pipe.  
 5900 linear feet 2" galvanized standard screw pipe.  
 1280 linear feet 1½" galvanized standard screw pipe.  
 255 linear feet 1" galvanized standard screw pipe.  
 300 linear feet ¾" galvanized standard screw pipe.  
 4 two way 6" Greenburg fire hydrants.  
 35 one way 4" Greenburg fire hydrants.  
 181 ¾" x ¾" meters.  
 8 ¾" meters.  
 14 1" meters.  
 6 1½" meters.  
 176 ¾" service connection and pipes.  
 17 1" service connections and pipes.  
 6 1½" service connection and pipes.  
 23 cast iron meter boxes.  
 58 cast iron extension curb boxes.  
 5 cast iron valve boxes.  
 176 wood meter boxes.  
 8 2" stand pipes.  
 Stock, material, tools, etc., to a value of \$1,366.  
 Valves, fittings, etc., for the above pipe.

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#### DECISION No. 6658.

IN THE MATTER OF THE APPLICATION OF BOLINAS WATER COMPANY, A CORPORATION, FOR PERMISSION TO INCREASE THE EXCESS WATER METER RATE IN THE TOWN OF BOLINAS, MARIN COUNTY, CALIFORNIA.

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#### Application No. 4003.

Decided September 6, 1919.

Applicant having failed to make a showing upon which an increased schedule of rates could be based, petition denied without prejudice to its renewal after such time as it is shown that certain necessary improvements have been made or plans decided upon therefor, and the necessary capital acquired for such purposes.

*Mattie Smith*, for Applicant.

*S. M. Augustine*, *in propria persona* and for certain consumers.

BY THE COMMISSION.

#### OPINION.

This is an application of Bolinas Water Company, a corporation, for authority to increase the rates for water supplied for domestic use in the town of Bolinas, Marin County.

A public hearing on the application was held by Examiner Westover at Bolinas, July 30, 1919.

The present rates were authorized by the Commission in Decision No. 1462, of April 28, 1914. (See Vol. 4, Opinions and Orders of the Railroad Commission, page 883.)

The water was formerly diverted from a small stream in Cronin Gulch and transmitted about four or five miles in four-inch and two-inch pipes to the storage tanks in the town of Bolinas. These improvements were installed under agreement with the owners of the McCurdy ranch, by which applicant was authorized to use a portion of the water, subject to ranch use, upon payment of 20 per cent of its gross income, and under which it was granted an option to purchase certain watershed lands in Cronin and Union gulches. This agreement by its terms expired in 1914 but was renewed from time to time until October 19, 1918, when it finally expired and can not be renewed.

At the hearing resulting in the establishment of the present rates, applicant reported its gross income for 1913 as \$765 from its 44 consumers. These have increased to 55 at present. Practically all are steady patrons throughout the year.

It reports its income under the present rate as follows:

Year ended August 1, 1917-----	\$1,157 77
Year ended August 1, 1918-----	1,124 92
Year ended June 30, 1919-----	1,234 97

The company is unable to give sufficient information upon which to base an accurate inventory or appraisal of its properties, or an accurate estimate of its operating expenses. Our engineers have made a rough estimate showing that operating expenses on this system should be about \$836 per year.

A number of consumers appeared at the hearing and testified to very poor service, especially during 1918. From their undisputed testimony it appears that during last season the system was practically abandoned while its manager was in the navy, no one being in immediate charge. When the gravity supply from Cronin Gulch was wholly diverted to ranch uses, a committee of citizens took charge of the system in the absence of the owners, and sunk a well on public school property near the town, installed a pumping plant and supplied the consumers, collecting and retaining the usual rates, which were applied to the cost of the improvements. The new well is about 17 feet deep and the water is said to be unsatisfactory in taste and color, although no evidence was presented tending to show that it is injurious to health. The mains were uncovered, were found to be corroded and incrustated to such an extent that they did not afford adequate pressure, apparently due to lack of facilities for flushing them. The pump admittedly is not of



sufficient capacity to meet the requirements of the community during the summer seasons.

Applicant offered testimony tending to show that it intended to install a larger pumping plant and to make arrangements with the school trustees for the permanent use of the well in question, or to provide for mountain water to be brought from a canyon across the lagoon from Bolinas. The latter course would require the laying of about two miles of transmission main and the securing of suitable rights of way. No definite figures, however, were presented showing the probable cost of the necessary improvements, nor does the testimony show what arrangements, if any, can be made for a permanent water supply. Applicant did not show that its expenses of operation have increased, nor present other testimony that would justify an increase in rates at this time.

In view of the uncertainty as to whether applicant can procure a suitable water supply and the uncertainty as to the amount of capital which it may find necessary to add to its investment, and as to operating expenses under present changed conditions, it is impossible to determine at this time what are just and reasonable rates to apply to future service.

When applicant has arranged for a permanent water supply and can show that it is prepared to give high class service, and can show the amount of new capital necessary for the purpose, it may present a new application if it then considers that increased rates are needed. The present application will be dismissed without prejudice.

#### ORDER.

Bolinas Water Company having applied for authority to increase the rates charged by it for domestic water served to inhabitants in Bolinas and vicinity in Marin County, public hearing having been held thereon, the matter being now ready for decision.

*It is hereby ordered* that the application be, and it is hereby, dismissed without prejudice.

Dated at San Francisco, California, this sixth day of September, 1919.

## DECISION No. 6664.

IN THE MATTER OF THE APPLICATION OF ASSOCIATED TERMINALS COMPANY, A CORPORATION, TO ISSUE STOCK AND APPLY THE PROCEEDS TO THE ACQUISITION OF PROPERTY AND THE EXTENSION AND IMPROVEMENT OF ITS FACILITIES.

Application No. 4892.

Decided September 15, 1919.

**STOCK ISSUES—PURCHASE OF NON-PUBLIC UTILITY EQUIPMENT.**—While authorizing the issuance of stock by a corporation operating public utility warehouses, a portion of the proceeds of which will be expended for equipment not necessary in its public utility business, the Commission reserves the right to exclude the value of such unnecessary equipment from a valuation of the utilities property for rate fixing purposes.

Applicant authorized to issue \$90,500 par value of its capital stock to be sold at not less than face value, proceeds to be used to discharge outstanding note, to purchase equipment and for working capital.

*Nathan H. Frank*, for Applicant.

*LOVELAND*, Commissioner.

**OPINION.**

Associated Terminals Company requests authority to issue \$90,500 of its common capital stock and use the proceeds to pay a \$50,000 note held by the Bank of California, National Association, purchase warehouse equipment and provide itself with added working capital.

Associated Terminals Company, pursuant to the authority granted in Decision Number 5568, dated July 15, 1918, issued \$159,500 of stock to acquire the properties of China Basin Warehouse Company and other properties. Since then it has leased or made arrangements to lease fifteen warehouses owned by Sacramento Northern Railroad. Two of these warehouses are located in Sacramento and the remaining thirteen at various points along the lines of the Sacramento Northern Railroad. It has agreed to purchase at a cost of \$60,000 the warehouse equipment and machinery of Elk Horn Land Company, which has been operating the Sacramento Valley Dock and Warehouse, one of the warehouses which applicant has leased from the Sacramento Northern. In addition it reports that it will be necessary for it to expend \$20,000 to properly equip the other warehouses and that it is necessary for it to have on hand \$45,000 of working capital to properly conduct the operations of these warehouses.

To purchase the warehouse equipment owned by Elk Horn Land Company, applicant borrowed from the Bank of California, National Association, \$50,000 and issued to the bank its short term note. It asks

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permission to use part of the proceeds from the sale of its stock to pay this note.

Attached to the petition herein is an inventory of the properties which applicant has acquired from the Elk Horn Land Company. The inventory contains bean-cleaning and other equipment which does not appear to be absolutely necessary to conduct a public warehouse business. While the Commission is willing to permit applicant to issue stock for the purpose of acquiring the equipment listed in the inventory, it is with a distinct understanding that the property not used or useful in the warehouse business will be excluded from a rate base if the Commission is ever called upon to fix applicant's warehouse rates.

Applicant has an authorized stock issue of \$250,000, all of which, except \$90,500, has been issued. The record shows that the \$90,500 of stock covered by this application will be purchased by applicant's stockholders at par. It occurs to me that inasmuch as applicant will realize only \$90,500 through the sale of its stock, that it will not be handicapped in its operations if the order of the Commission requires \$80,000 of the proceeds from the sale of the stock to be applied to the payment of the \$50,000 note held by the Bank of California, National Association, and the purchase of equipment, and the remaining \$10,500 to be used for working capital. I do not believe that it will be necessary for the Commission to make a definite finding as to the amount of working capital which applicant needs to properly conduct its business.

I herewith submit the following form of order:

#### ORDER.

Associated Terminals Company having applied to the Railroad Commission for authority to issue \$90,500 of stock, a public hearing having been held, and the Commission being of the opinion that the money, property or labor to be procured or paid for by the issue of the stock is reasonably required for the purpose or purposes specified in the order and that the expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income;

*It is hereby ordered* that Associated Terminals Company be, and it is hereby, granted authority to issue and sell for cash at not less than par, on or before February 15, 1920, \$90,500 of its common capital stock and use \$50,000 of the proceeds to pay the note held by Bank of California, National Association, \$30,000 to purchase warehouse equipment and \$10,500 for working capital, to all of which reference is made in the petition herein, provided, Associated Terminals Company will keep such record of the issue and sale of the stock herein authorized and of the disposition of the proceeds, as will enable it to file on or before the twenty-fifth day of each month a verified report as required

by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this fifteenth day of September, 1919.

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DECISION No. 6665.

IN THE MATTER OF THE APPLICATION OF WILMINGTON TRANSPORTATION COMPANY FOR AN ORDER AUTHORIZING IT TO SELL A FRESH AND SALT WATER PLANT AND SYSTEM AND ELECTRIC LIGHT PLANT AND SYSTEM TO THE CITY OF AVALON, AND OF THE CITY OF AVALON TO PURCHASE SAID PROPERTY.

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Application No. 4721.

Decided September 15, 1919.

*Gibson, Dunn & Crutcher*, by *S. M. Haskins*, for Wilmington Transportation Company.

*Frederick Baker*, City Attorney of Avalon, for the city of Avalon.

*LOVELAND*, Commissioner.

OPINION.

This is a joint application of Wilmington Transportation Company and the city of Avalon, a municipality of the sixth class, in which permission is asked for the transfer for \$77,025 of the fresh and salt water plant and system and the electric light plant and system owned and operated by the company, to the city of Avalon.

Wilmington Transportation Company, in addition to operating a steamship line between San Pedro and Avalon, operates, in the city of Avalon, the above named properties, a description of which is contained in the stipulation filed by the company subsequent to the hearing and substituted in place of Exhibit "B," attached to the petition. In 1918, the company reported serving 275 consumers with electric service, and 248 consumers with water service, all within the boundaries of the city of Avalon.

J. E. Barker, consulting engineer, employed by the city, made an appraisal of the properties and found the historical cost less accrued depreciation, as of May 1, 1919, to be \$73,525. His valuation has been accepted by the Wilmington Transportation Company.

On June 1, 1919, the company made an offer to sell its properties, described in Exhibit "B," to the city of Avalon for \$73,525, with the

understanding that the city reimburse the company for capital expenditures made between the date of the offer and the time at which the city took over the properties. At the hearing it developed that since the date of the offer to sell, Wilmington Transportation Company expended on its water system the sum of \$24,135.34. The company is, however, willing to sell this added property to the city for \$3,500, bringing the total selling price up to \$77,025.

I herewith submit the following form of order:

**ORDER.**

Wilmington Transportation Company and city of Avalon, a municipality, having made joint application to this Commission for permission to transfer the fresh and salt water plant and system and the electric light plant and system of the Wilmington Transportation Company to the city of Avalon, a public hearing having been held, and it appearing that the best interests and welfare of the community will be served by the transfer of the properties;

*It is hereby ordered* that Wilmington Transportation Company be, and it is hereby, authorized to sell to the city of Avalon, free and clear of all encumbrances, for \$77,025, its fresh and salt water plant and system and electric light plant and system, located at Avalon and described in the stipulation filed by the company in this proceeding and substituted for Exhibit "B," attached to the petition, provided that the authority herein granted shall apply only to such property as is transferred on or before March 1, 1920.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this fifteenth day of September, 1919.

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DECISION No. 6680.

IN THE MATTER OF THE APPLICATION OF LOS ANGELES-SAN PEDRO  
TRANSPORTATION COMPANY, A CORPORATION, TO ISSUE STOCK.

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Application No. 4225.

Decided September 16, 1919.

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AUTO TRANSPORTATION UTILITIES--STOCK ISSUES OF--Stock issued by an auto transportation company operating as a public utility, must first be authorized by the Railroad Commission, such stock if issued without such a permit or under a permit issued by the Commissioner of Corporations is null and void.

Applicant authorized to issue \$21,800 par value of its common stock at par in exchange for property acquired, to discharge notes and to qualify directors.

C. W. Burer, for Applicant.

BY THE COMMISSION.

### OPINION.

Los Angeles-San Pedro Transportation Company asks authority to issue, at not less than par, \$10,000 of its common capital stock.

A public hearing was held on this application before Examiner Handford at Los Angeles on February 18, 1919.

Los Angeles-San Pedro Transportation Company was organized on or about August 15, 1918, with an authorized capital stock of \$50,000, divided into 5000 shares of \$10 each. The corporation was organized for the purpose, among others, to engage in, conduct, operate and carry on a general truck, transfer, freight, shipping, receiving and forwarding business in all its branches; and to transport, carry and convey for hire all kinds of merchandise, freight, baggage or other personal property.

Applicant has submitted a balance sheet in which it reports its assets and liabilities as of December 31, 1918, as follows:

<i>Assets.</i>	
Trucks and trailers.....	\$22,169 50
Leased equipment, Packard truck.....	4,617 78
Miscellaneous equipment .....	1,561 77
Office equipment .....	887 88
Lease advance .....	150 00
Cash on hand .....	47 40
Cash in bank .....	189 14
Accounts receivable .....	3,858 16
Freight advances .....	3 98
Initial deposit underwritten corporation .....	358 16
<b>Total assets .....</b>	<b>\$33,843 77</b>
<i>Liabilities.</i>	
Capital stock .....	\$11,800 00
Notes payable .....	11,601 44
Accounts payable .....	4,085 12
Due Fred A. Russell.....	1,434 81
Due Fred L. Smith.....	745 14
War tax .....	195 24
Profit and loss account.....	53 03
Gross profits, August 21, 1918, to December 31, 1918.....	3,630 99
<b>Total liabilities .....</b>	<b>\$33,843 77</b>

In its decision on Application No. 4219, the Railroad Commission has authorized applicant to engage in a motor freight business between the business center of Los Angeles and the harbor district at Wilmington, San Pedro.

Applicant reports \$11,800 of stock outstanding. The record in this proceeding shows that \$8,040 of this stock was issued to Fred A. Rus-

sell and \$3,760 to Fred L. Smith in exchange for their truck business, including equipment, supplies and accounts receivable. At the time applicant issued its stock, it assumed the indebtedness to Fred A. Russell and Fred L. Smith. In addition to the stock issued to Fred A. Russell and Fred L. Smith, applicant has issued three shares for the purpose of qualifying directors. All of this stock has been issued without an order from the Railroad Commission. The stock, however, was issued pursuant to authority granted by the Commissioner of Corporations. The testimony indicates that applicant failed to file the necessary application with the Commission, through inadvertence and with no intent to evade the Public Utilities Act. Inasmuch as applicant has been engaged and will continue to engage in the operation of a public utility business, it occurs to us that the Railroad Commission should authorize the issue of \$11,800 of stock, such stock to be issued in lieu of the stock heretofore issued to Fred A. Russell and Fred L. Smith and for the purpose of qualifying directors.

In Exhibit No. "1," applicant reports the value of the properties which it has acquired from Fred A. Russell at \$16,573.03 and liabilities assumed at \$8,534.01, leaving net assets of \$8,039.02. In Exhibit No. "2," the value of the assets acquired from Fred L. Smith are reported at \$9,995.88, the liabilities assumed at \$6,262.62, leaving net assets of \$3,733.26. It is against the net assets acquired from Fred A. Russell and Fred L. Smith that the company has issued the stock referred to above.

In this application, applicant asks permission to issue \$10,000 of its common stock. This stock is to be issued at not less than par, and the proceeds used to pay notes which have been issued for the purpose of acquiring equipment. The testimony of Fred A. Russell, President of Los Angeles-San Pedro Transportation Company, shows that none of the proceeds from the sale of stock will be used for purposes other than the payment of notes issued in connection with the acquisition of equipment.

#### ORDER.

Los Angeles-San Pedro Transportation Company having applied to the Railroad Commission for authority to issue stock, a public hearing having been held, and the Commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose or purposes specified in the order, and that such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income;

*It is hereby ordered* that Los Angeles-San Pedro Transportation Company be, and it is hereby, granted authority to issue \$21,800 par

value of common capital stock upon the following conditions and not otherwise:

(1) None of the stock shall be issued until the applicant has obtained all of the permits, rights or franchises as required by law, and has been authorized to operate under such permits, rights and franchises.

(2) Of the stock herein authorized to be issued \$3,730 shall be issued to Fred L. Smith, \$8,040 to Fred A. Russell in lieu of the stock heretofore issued to them, and \$30 to directors in lieu of stock heretofore issued to them for qualifying purposes.

(3) Stock in the amount of \$10,000 shall be sold for not less than par and the proceeds used to pay notes issued for the purpose of acquiring the equipment referred to in this application.

(4) Los Angeles-San Pedro Transportation Company shall keep separate, true and accurate accounts showing the receipt and application in detail of the proceeds from the sale of the stock herein authorized to be issued, and on or before the twenty-fifth day of each month shall make verified reports to the Railroad Commission stating the sale or sales of said stock during the preceding month, the terms and conditions of the sale, the moneys realized therefrom, and the use and application of such moneys, all in accordance with this Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

(5) The authority herein granted shall apply only to such stock as may be issued on or before September 1, 1919.

Dated at San Francisco, California, this sixteenth day of September, 1919.

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DECISION No. 6681.

IN THE MATTER OF THE APPLICATION OF THE NORTHERN CALIFORNIA POWER COMPANY, CONSOLIDATED, A CORPORATION, AND THE PACIFIC GAS AND ELECTRIC COMPANY, A CORPORATION, FOR AN ORDER OF THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA AUTHORIZING SAID PACIFIC GAS AND ELECTRIC COMPANY TO PURCHASE AND HOLD NOT LESS THAN TWO-THIRDS OF THE ISSUED SHARES OF THE CAPITAL STOCK OF SAID NORTHERN CALIFORNIA POWER COMPANY, CONSOLIDATED, AND AUTHORIZING SAID NORTHERN CALIFORNIA POWER COMPANY, CONSOLIDATED, TO SELL, TRANSFER AND GRANT TO PACIFIC GAS AND ELECTRIC COMPANY ALL AND SINGULAR THE PROPERTIES OF EVERY KIND AND CHARACTER, WHETHER REAL OR PERSONAL, OWNED, HELD OR CLAIMED BY SAID NORTHERN CALIFORNIA POWER COMPANY, CONSOLIDATED, UNDER AND IN ACCORDANCE WITH THE TERMS OF CERTAIN CONTRACTS MADE BY AND BETWEEN THE SAID CORPORATION AND MADE A PART OF THIS APPLICATION AND AUTHORIZING SAID PACIFIC GAS AND ELECTRIC COMPANY TO



PURCHASE AND ACQUIRE SAID PROPERTIES AND TO COVENANT TO PAY THEREFOR IN ACCORDANCE WITH THE TERMS OF THE AFORESAID CONTRACTS.

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Application No. 4789.

Decided September 23, 1919.

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TRANSFERS—PUBLIC UTILITY CORPORATIONS—LEGALITY OF.—Section 361a of the Civil Code does not prevent the transfer as a whole of the properties of a public utility when such transfer is made with the consent of the holders of over two-thirds of the outstanding stock of the utility to be transferred. When holders of a large majority of the stock of a public utility are in favor of a transfer agreement, the Commission will not withhold its consent to such sale on the sole grounds that a small minority object to the terms thereof.

Pacific Gas and Electric Company authorized to purchase the 100,000 shares of outstanding stock of the Northern California Power Company at \$34 per share and the latter named company to transfer all its property and rights to the first named utility in consideration of the sum of \$3,400,000, payable December 1, 1948, with interest at 5 per cent, and the assumption by the purchaser of all obligations of the selling company.

*W. G. McGee*, for Northern California Power Company, Consolidated.

*W. B. Bosley* and *Chas. P. Cullen*, for Pacific Gas and Electric Company.

*W. P. Johnson* and *Wm. P. Hubbard*, for certain stockholders of Northern California Power Company, Consolidated, Protestants.

*DEVLIN*, Commissioner.

#### OPINION.

The Railroad Commission is asked to make an order authorizing:

1. Pacific Gas and Electric Company to purchase at \$34 per share all of the outstanding capital stock (100,000 shares) of the Northern California Power Company, Consolidated, in accordance with the terms of the agreements attached to the petition herein and marked Exhibits "C" and "D," as said agreements have been amended at the hearing.

2. Northern California Power Company, Consolidated, to sell, transfer and grant to Pacific Gas and Electric Company, subject to the lien of all mortgages or deeds of trust now constituting encumbrances thereon, for the sum of \$3,400,000 payable on or before December 1, 1948, with interest at the rate of 5 per cent per annum, payable annually, and the assumption by Pacific Gas and Electric Company of all of the obligations of Northern California Power Company, Consolidated, all and singular the properties of every kind and character owned or claimed by Northern California Power Company, Consolidated, such transfer to be made in accordance with the terms of the agreement attached to the petition herein and marked Exhibit "E."

3. Pacific Gas and Electric Company to enter into and execute an agreement with Northern California Power Company, Consolidated, covering the payment of the purchase price of the properties and the assumption of all of the obligations of Northern California Power Company, Consolidated.

The record herein shows that Northern California Power Company, Consolidated, has been organized under the laws of the State of California; that it is empowered to engage in and is engaged in the business of generating electricity and distributing the same to the public in portions of the counties of Shasta, Trinity, Tehama, Glenn, Butte, and Colusa, in the State of California; that it is engaged in the business of distributing water within the limits of the municipal corporations of Redding and Willows; that it is engaged in the business of manufacturing and distributing gas within the municipal corporations of Redding, Red Bluff and Willows; that the properties owned by the Northern California Power Company, Consolidated, and used by it in conducting its several kinds of public utility business includes six hydroelectric generating plants with a total capacity of 36,150 kilovolt amperes, together with electric transmission lines in the counties of Shasta, Tehama, Trinity, Butte, Glenn and Colusa, and electric distribution systems, substations, meters, services, transformers and other electrical appliances, gas generating and manufacturing plants and gas distribution systems in the cities of Redding, Red Bluff and Willows, water distribution plants and systems in the cities of Redding and Willows, various reservoirs, canals and ditches used for the purpose of impounding, storing and conveying water to its hydroelectric plants and for distribution and sale of water to the public, water rights, franchises, lands, cattle, growing crops, farm implements, money, accounts receivable and other property. A detailed description of the properties of the company is contained in an inventory filed with the Railroad Commission in connection with Cases Nos. 675, 676, 677, 711 and Application No. 1625, and in reports filed with the Commission from time to time supplemental in their nature to the inventory filed in the aforementioned proceedings.

In Exhibit "A," attached to the amended petition herein, the assets and liabilities of Northern California Power Company, Consolidated, as of May 31, 1919, are reported as follows:

## ASSET ACCOUNTS.

A. Plant investment .....		\$11,335,726 54
Fixed capital installed prior to January 1, 1913 (electric) .....	\$8,948,383 68	
Fixed capital since December 31, 1912 (electric) .....	1,474,881 60	
Fixed capital installed prior to January 1, 1913 (gas) .....	181,810 97	
Fixed capital installed since December 31, 1912 (gas) .....	35,450 28	
Fixed capital installed prior to January 1, 1913 (water) .....	237,739 64	
Fixed capital installed since December 31, 1912 (water) .....	17,841 94	
Construction work in progress .....	439,618 43	
B. Current assets.		
(1) Quick assets .....		157,065 05
Cash .....	\$23,913 12	
Notes receivable .....	825 46	
Accounts receivable, customers .....	130,452 04	
Accounts receivable, miscellaneous .....	1,841 13	
Interest and dividends receivable .....	33 30	
(2) Business assets .....		285,671 91
Material and supplies .....	\$181,623 38	
Shop supplies .....	61,283 66	
Prepaid insurance—unexpired .....	84 10	
Ranch live stock, etc. ....	42,680 77	
C. Nominal assets .....		6,616,089 93
Sinking funds .....	\$16,089 93	
Unamortized discount on capital stock .....	6,600,000 00	
D. Investments .....		5,347 66
Stock in other corporations .....	\$279 00	
Liberty bonds, etc. ....	5,067 66	
E. Suspense .....		71,767 27
General .....	\$797 50	
Supply expense .....	2,919 23	
Accounts receivable over 60 days old .....	67,880 54	
Debt, discount and expense, unamortized .....	230 00	
Total asset accounts .....		\$18,471,668 36

## LIABILITY ACCOUNTS.

A. Capital stock, common .....		\$10,000,000 00
B. Funded debt .....		6,213,526 74
Consolidated bonds .....	\$3,961,000 00	
Underlying bonds .....	937,000 00	
Guaranteed bonds .....	900,000 00	
Debenture notes .....	412,526 74	

C. Current liabilities -----		572,273 83
Notes payable -----	\$249,250 00	
Accounts payable—vouchers -----	44,223 91	
Pay rolls, etc. -----	37,487 32	
Coupon interest matured -----	130,150 00	
Meter deposits -----	5,014 14	
Service extension -----	106,118 46	
D. Accrued liabilities -----		37,851 88
Unmatured coupon interest -----	\$24,318 85	
Unmatured loan interest -----	4,159 87	
Taxes accrued -----	9,229 52	
Rents accrued -----	143 64	
E. Reserves -----		995,817 17
Reserves invested in sinking funds -----	\$552,476 95	
Reserve for accrued depreciation -----	159,948 76	
Reserve for sinking funds—due but not paid -----	256,929 80	
Reserve for sinking fund—accrued but not due -----	27,361 66	
F. Suspense -----		53,354 67
General -----	\$32,596 65	
Collections in advance -----	758 02	
G. Corporate surplus unappropriated -----		618,844 07
Total liability accounts -----		\$18,471,468 36

In Exhibit "H," prepared by F. Emerson Hoar, engineer for Northern California Power Company, Consolidated, applicants report the estimated historical cost of reproduction of the properties of Northern California Power Company, Consolidated, as of June 30, 1919, at \$9,457,312.30, while in Exhibit "I," also prepared by Mr. Hoar, the capital investment is reported at \$10,634,735.11. In preparing Exhibit "H," Mr. Hoar accepted with one or two minor changes the valuation of the properties of Northern California Power Company, Consolidated, as reported by the Commission's engineers in Decision No. 3624, dated September 1, 1916 (Vol. 11, Opinions and Orders of the Railroad Commission of California, page 37), which appraisal was of September 30, 1915, and added thereto the costs of additions and betterments from September 30, 1915, to June 30, 1919, the cost of construction work in progress, the cost of materials and supplies, and the company's ranch investment. The appraisal of the properties by the Commission's engineers and referred to in Decision No. 3624 is not based on unit cost as of September 30, 1915, but rather on the average of the unit costs that prevailed for some years previous to that time. In arriving at the capital investment, \$10,634,735.11, as of June 30, 1919, Mr. Hoar reports that he took into account all abandonments shown on the books of the company.

Mr. Hoar assumed the plant to be now in an 85 per cent condition, which would result in an approximate reproduction cost less depreciation of \$8,038,715.

He estimates the cost to reproduce the properties, using present day prices, at \$13,300,000, and also testified that if the plant were built at this time certain portions thereof would not be constructed, while other portions would be constructed on a different basis.

Reports filed with the Railroad Commission show that Northern California Power Company, Consolidated, after paying operating expenses, taxes, interest and making some allowance for depreciation, reported surplus earnings, as follows:

1913	-----	\$155,729 86
1914	-----	57,427 53
1915	-----	61,752 97
1916	-----	128,222 17
1917	-----	233,928 47
1918	-----	344,673 12

The surplus earnings represent the amounts available to meet sinking fund payments, meet maturing obligations, pay the cost of additions and betterments or pay dividends. As a matter of fact, from 1913 to 1918, the company has paid no dividends but has levied assessments upon its stockholders of \$1,400,000. The record herein shows that up to May 31, 1919, the company was in arrears in meeting its sinking fund payments to the extent of \$256,029.80; that on May 31, 1919, it owed in the form of notes payable \$249,250; that in February, 1920, it will be required to meet maturing Series "A" debentures aggregating approximately \$370,000; that it has begun the construction of a large hydroelectric installation on the Pit River, the first unit of which, if carried to completion, will call for the expenditure of approximately \$6,000,000.

It appears that within the near future an expenditure of from \$6,500,000 to \$7,000,000 must be made to keep Northern California Power Company, Consolidated, a solvent up-to-date public utility corporation and able to discharge its obligations to the public. To enable it to discharge its obligations and meet the demands of the public for service, the trustee under its mortgage, according to the testimony, could at this time certify and deliver approximately \$625,000 of bonds, an amount scarcely sufficient to pay maturing obligations, to say nothing of new construction. There is no doubt but that an entirely new financial program would have to be devised by Northern California Power Company, Consolidated, to install even the first unit of the Pit River development. Threatening litigation to settle title to water rights on and along the Pit River would seriously handicap, if not entirely defeat the company in its effort to sell either stock or any form of security.

The testimony of A. F. Hoekenbeamer, Vice President and Treasurer of Pacific Gas and Electric Company, shows that Pacific Gas and

Electric Company, through the acquisition of the stock of the Mount Shasta Power Corporation, acquired and became possessed of certain water rights, lands and certain construction work on the Pit River. The development of the Mount Shasta Power Corporation is located on the bend of the river a little above the point where the Northern California Power Company, Consolidated, has water rights, and has done some construction work. The situation of these two development projects is such that if the water be used for either, the other would be entirely useless. The water would either have to go through the Pacific Gas and Electric Company power houses or through those of the Northern California Power Company, Consolidated. The attorneys for the Pacific Gas and Electric Company have expressed an opinion that the rights of Mount Shasta Power Corporation are superior to those of the Northern California Power Company, Consolidated, and could undoubtedly be sustained. On the other hand, the officials and attorneys for the Northern California Power Company, Consolidated, are equally confident that their rights are valid and incontestable. The position taken by the two companies makes it very clear that before any real construction work can be undertaken to install the Pit River plants and before any actual financing can be done, the rights of the two companies would have to be settled, which would undoubtedly mean long drawn out litigation, with consequent delay in most necessary needed hydroelectric development. Through the purchase of the stock and properties of Northern California Power Company, Consolidated, by the Pacific Gas and Electric Company, this litigation will be automatically eliminated, and as shown by the record, the construction of the Pit River power project undertaken at an early date by the Pacific Gas and Electric Company. There can be no question but that the Pacific Gas and Electric Company, through its greater financial strength and its larger resources, is in a better position to expeditiously and at an early date construct necessary power plants on the Pit River, than the Northern California Power Company, Consolidated, and to render more extensive service in the territory now occupied by that company; indeed, it is doubtful if Northern California Power Company, Consolidated, could finance the development even with the question of title previously referred to eliminated, without a reorganization of its financial structure.

Pacific Gas and Electric Company has agreed to pay to the stockholders of Northern California Power Company, Consolidated, \$34 per share for their stock. Originally the company agreed to pay this sum for all the stock which might be deposited with the Mercantile Trust Company on or before June 12, 1920. At the hearing the Pacific Gas

and Electric Company offered to modify this plan, and with the consent of the Railroad Commission the company is willing to pay for the stock \$34 per share at any time on or before December 1, 1948. The purchasing company agrees to assume the payment of all of the indebtedness of Northern California Power Company, Consolidated, and will receive all of that company's cash and current assets on hand at the time the properties are actually transferred. There is \$10,000,000 par value of stock of Northern California Power Company, Consolidated, outstanding, for which the Pacific Gas and Electric Company has agreed to pay \$3,400,000. Through the assumption of the indebtedness of Northern California Power Company, Consolidated, the properties will cost Pacific Gas and Electric Company slightly in excess of \$10,000,000.

Inasmuch as this proceeding involves neither the issue of securities nor the fixing of rates, it is not necessary for the Commission to determine what part of the purchase price may be permanently capitalized or will be recognized as a rate base.

Northern California Power Company, Consolidated, reports funded debt, outstanding on May 31, 1919, of \$6,213,526.74, of which \$3,964,000 matures December 1, 1948. Pacific Gas and Electric Company alleges that it is impractical for it at this time to provide for the redemption of the \$6,213,526.74 of funded debt, and it therefore asks permission to purchase the properties subject to this indebtedness and assume its payment. Under the laws of this state the capital or assets of Northern California Power Company, Consolidated, can not be distributed among its stockholders except upon its dissolution, nor can the corporation be dissolved so long as any of its debts remain unpaid.

The Pacific Gas and Electric Company has agreed to pay for the properties on December 1, 1948, the sum of \$3,400,000, with interest at the rate of 5 per cent per annum, and assume the payment of all indebtedness. It is willing, however, to pay the stockholders, forthwith, \$34 per share for their stock, so that if all the stockholders agree to sell, it would owe the obligation of \$3,400,000 to itself. It is the intention of the Pacific Gas and Electric Company to maintain the corporate existence of Northern California Power Company, Consolidated, to facilitate such transactions as sinking fund payments, property transfers and transactions of a similar character described in the various mortgages. Assurance is given that the maintenances of the corporation will involve only a nominal expense.

Walter Perry Johnson and William F. Hubbard, appearing on behalf of certain stockholders of Northern California Power Company, Consolidated, object to, and protest against the sale of the properties. In substance the allegation is made that the transaction is fraudulent, that

it is contrary to law, that it in particular violates section 361a of the Civil Code, and that the consideration is wholly inadequate.

In my opinion the evidence utterly failed to establish fraud on the part of any of the parties to these negotiations, but on the contrary, indicated that they were carried on at arms length, each side evidencing a determination to consummate as good a bargain as was obtainable. The testimony of W. F. Detert, President of Northern California Power Company, Consolidated, shows that he had, time and again, been authorized to effect the sale of the properties by far more than the holders of a majority of the stock, that he negotiated for the sale of the stock and properties with parties other than the Pacific Gas and Electric Company, that he accepted the best price offered, that he insisted that the Pacific Gas and Electric Company give the stockholders until June 12, 1920, to deposit their stock, that neither he nor any one else conversant with the negotiations bought any stock while such negotiations were pending, that no one received any commission, and that, in his opinion, the sale is for the best interests of the stockholders. Other evidence was submitted by officers of Northern California Power Company, Consolidated and Pacific Gas and Electric Company, showing that they did not profit through the sale of the stock or properties.

Protestants urge strongly that this Commission has no jurisdiction to make the order herein prayed for, and claim that the execution of the agreement of sale covering the properties of Northern California Power Company, Consolidated, is *ultra vires* in so far as the powers of the board of directors of the Northern California Power Company, Consolidated, are concerned. Protestants argue in support of their position in this regard that the conveyance of the stock and the properties in the manner sought would in effect be a dissolution of the Northern California Power Company, Consolidated, a corporation, in a manner other than provided by statute, and in support of their position cite *Grafton County Electric Light and Power Company et al. vs. State*, 94 Atlantic 193 (New Hampshire Supreme Court decision), and a decision of the New Jersey Public Utility Commission *in re Holly Beach, Wildwood and North Wildwood Water Company*, reported in 1915-A Public Utility Reports, annotated, page 629. In the New Jersey case, a case quite similar in its facts to the present case, the Commission said (quoting approvingly from Supreme Court decision of New Jersey) :

A corporation which has sold only its property, receiving therefor a valuable consideration, is still able to engage in new enterprises within the scope of its charter, but one which has parted with all its franchises except that of existence is, for all purposes outside of the winding up of its affairs, defunct. It is in the exact condition contemplated by our statute as that of a dissolved corporation, for the fifty-third section of our corporation act (P. L. of 1896, p. 277) provides that such corporations, whether they expire by their own limitation or be annulled by the legislature



or otherwise dissolved, shall be continued bodies corporate for the purpose of prosecuting and defending suits by or against them, and of enabling them to settle and close their affairs, to dispose of and convey their property, and to divide their capital but not for the purpose of continuing the business for which they were established." That such dissolution was regarded as the practical effect of the present arrangement, and so intended by the directors and stockholders who favored it, is made evident by the fact that, at the same meetings at which the arrangement was approved, they voted for a formal dissolution of the company under the statute. The mode in which a New Jersey corporation can voluntarily effect its own dissolution is prescribed by section 31 of our act, and of course no other mode can be legally adopted. It is conceded that this mode was not pursued, and it seems, necessarily, to follow that the plan which involves dissolution is not yet capable of lawful consummation.

The contention of protestants might have more weight were it not for the provisions of 361a of the Civil Code of this state enacted in 1903 and reading as follows:

No sale, lease, assignment, transfer or conveyance of the business, franchise and property, as a whole, of any corporation now existing, or hereafter to be formed in this state, shall be valid without the consent of stockholders thereof, holding of record at least two-thirds of the issued capital stock of such corporation; such consent to be either expressed in writing, executed and acknowledged by such stockholders, and attached to such sale, lease, assignment, transfer or conveyance, or by vote at a stockholders' meeting of such corporation called for that purpose; but with such assent, so expressed, such sale, lease, assignment, transfer or conveyance shall be valid; *provided, however*, that nothing herein contained shall be construed to limit the power of the directors of such corporation to make sales, leases, assignments, transfers or conveyances of corporate property, other than those hereinabove set forth.

Although protestants urge in support of their contention that section 361a also forbids the transaction herein sought, I am compelled to interpret such section as a statutory authority for such transaction; and it also seems apparent that if any similar statute existed in New Jersey at the time of the rendition of the decision referred to that the Supreme Court and the Public Utilities Commission would have held that such authority unquestionably existed. The Supreme Court of this state, in passing upon this particular question, in *City of South Pasadena vs. Pasadena Land and Water Company*, 152 Cal. 579, declared (after quoting section 361a of the Civil Code):

This enactment is not on its face a mere negative or prohibitive statute, forbidding that which before was permitted. It is both affirmative and negative in its terms. Its affirmative provisions may be paraphrased thus: "with the consent of the stockholders thereof, holding of record at least two-thirds of its issued capital stock (expressed in the prescribed manner), any corporation in this state may make a valid sale, lease, assignment, transfer or conveyance of its business, franchises and property, as a whole." It expresses a consent to such transfer in the manner prescribed, as well as a prohibition against such transfer in any other mode.

The record herein shows that Pacific Gas and Electric Company has offered to pay \$34 per share for the stock of Northern California Power Company, Consolidated, provided the holder of the stock appoint Mercantile Trust Company of San Francisco his true and lawful attorney to represent him and vote at all stockholders' meetings in favor

of the sale of the properties and execute and acknowledge an appropriate instrument consenting to the sale and conveyance to be made pursuant thereto. The trust company, it appears, is the agent of the stockholder who consents to the sale, and deposits his stock with the trust company as required by the agreement.

Ordinarily the Commission will permit a public utility to sell its properties at the best price obtainable. Naturally, when the purchaser is a public utility, the Commission becomes interested in the purchase price both from the point of view of capitalization and rates. Looking at the transaction from these two points of view, I am by no means certain that the Commission will not find some difficulty in recognizing the entire purchase price as a rate base and may ultimately rule that part of the purchase price must be paid out of surplus earnings of the Pacific Gas and Electric Company. The position of protestants that the selling price is inadequate does not seem to me to be well taken.

Unquestionably the rights of minority stockholders should be considered and protected no matter how small that minority may be. Nevertheless, the fact that the minority represents but 450 shares of stock out of a total issue of 100,000 shares is indicative of the approval of an overwhelming majority of the stockholders of the Northern California Power Company, Consolidated, to consummate this transaction.

Before the authority herein granted shall finally become effective, I believe that the Pacific Gas and Electric Company should file with the Railroad Commission a statement containing a list of the franchises under which it intends to operate in the territory now being served by the Northern California Power Company, Consolidated, and the stipulation referred to in the order herein.

I herewith submit the following form of order:

#### ORDER.

An application having been filed with the Railroad Commission involving the sale of the stock and properties of Northern California Power Company, Consolidated, a public hearing having been held, and the Railroad Commission being fully advised in the premises;

*It is hereby ordered* that Pacific Gas and Electric Company be, and it is hereby, authorized to purchase, at \$34 per share, all of the outstanding capital stock (100,000 shares) of the Northern California Power Company, Consolidated, such purchase to be made in accordance with the terms of the agreements attached to the petition herein and marked Exhibits "C" and "D," as said agreements have been amended at the hearing, as hereinbefore in the opinion preceding this order set forth.

*It is hereby further ordered* that Northern California Power Company, Consolidated, be, and it is hereby, authorized to sell, transfer and grant to the Pacific Gas and Electric Company, subject to the lien of all mortgages or deeds of trust now constituting encumbrances thereon, for the sum of \$3,400,000, payable on or before December 1, 1948, with interest at the rate of 5 per cent per annum, payable annually, and the assumption by Pacific Gas and Electric Company of all the obligations of Northern California Power Company, Consolidated, all and singular, the properties of every kind and character owned or claimed by Northern California Power Company, Consolidated, such transfer to be made in accordance with the terms of the agreement attached to the petition herein and marked Exhibit "E."

*It is hereby further ordered* that Pacific Gas and Electric Company be, and it is hereby, authorized to enter into and to execute an agreement with Northern California Power Company, Consolidated, whereby the Pacific Gas and Electric Company will expressly covenant to pay the aforesaid purchase price of \$3,400,000 on or before December 1, 1948, with interest thereon at the rate of 5 per cent per annum, payable annually, and to assume all of the obligations of Northern California Power Company, Consolidated, as reported in the agreement, a copy of which is attached to the petition herein and marked Exhibit "E."

The authority herein granted is upon the following conditions and not otherwise:

1. The authority herein granted shall not become effective until Pacific Gas and Electric Company shall have obtained from the Railroad Commission a supplemental order declaring that a stipulation or stipulations in form satisfactory to the Railroad Commission duly authorized by the Board of Directors of Pacific Gas and Electric Company, have been filed, declaring that Pacific Gas and Electric Company, its successors and assigns, will never claim in any proceeding of any character before the Railroad Commission or any other public authority any value for the franchises or permits which Pacific Gas and Electric Company may acquire from Northern California Power Company, Consolidated, in excess of the amount which was paid by the original grantee of such franchises or permits to the public authority granting the same, which amount shall be specified in said stipulations.

2. The consideration at which the public utility stock or properties are herein authorized to be transferred shall not be considered as a measure of value of said stock or properties for rate making or any purpose other than the sale of the stock and the transfer of the properties herein authorized.

3. Within thirty days after the acquisition of the stock of Northern California Power Company, Consolidated, Pacific Gas and Electric Company shall submit to this Commission, for approval, all book entries relative to the transfer and purchase of the stock or properties of Northern California Power Company, Consolidated.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-third day of September, 1919.

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DECISION No. 6682.

BRAY LUMBER AND BOX COMPANY, PACIFIC SHINGLE AND BOX COMPANY, AND McARTHUR AND KAUFFMAN

vs.

SOUTHERN PACIFIC COMPANY.

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Case No. 1079.

Decided September 24, 1919.

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**JURISDICTION—INTRASTATE RATES—RAILROAD COMMON CARRIERS.**—It is held that the Railroad Commission has no jurisdiction over intrastate rates of common carriers operating under the jurisdiction of the United States Railroad Administration. Complaint bringing into question intrastate rates, dismissed.

BY THE COMMISSION.

**OPINION AND ORDER.**

This case is before the Commission in an application of the Southern Pacific Company for a rehearing of the opinion and order issued March 25, 1918, wherein defendant was ordered to remove the discrimination found to exist in the freight rates in effect for the transportation of mill refuse from producing points north of Red Bluff to Sacramento, Stockton, San Jose and San Francisco. The application for rehearing is based upon the contention that this Commission, by reason of the proclamation of the President of the United States, effective December 28, 1917, and the Federal Control Act, passed March 21, 1918, has no jurisdiction over the rates in question.

In the decision of the United States Supreme Court rendered June 2, 1919, in *Northern Pacific Railway Company and Walker D. Hines vs. State of North Dakota*, the sovereignty of the federal authorities to fix intrastate rates, under the grant of war power made by Congress, was upheld.

This Commission now being without authority to regulate intrastate rates of the Southern Pacific Company during the period of federal control, the case will be dismissed.

**ORDER.**

The Commission having no jurisdiction in this proceeding;  
*It is hereby ordered* that the same be and is hereby dismissed.

Dated at San Francisco, California, this twenty-fourth day of September, 1919.

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DECISION NO. 6683.

IN THE MATTER OF THE APPLICATION OF SOUTHERN CALIFORNIA EDISON COMPANY, A CORPORATION, FOR A CERTIFICATE THAT PUBLIC CONVENIENCE AND NECESSITY REQUIRE THAT IT EXERCISE THE RIGHT OR PRIVILEGE GRANTED IT UNDER A FRANCHISE TO ERECT, LAY, CONSTRUCT, MAINTAIN, USE AND OPERATE AN ELECTRIC DISTRIBUTION SYSTEM IN THE CITY OF LA VERNE, STATE OF CALIFORNIA.

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Application No. 4727.

Decided September 24, 1919.

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E. W. Cunningham, for Applicant.

LOVELAND, Commissioner.

**OPINION.**

This is an application by Southern California Edison Company for an order declaring that public convenience and necessity require the exercise by it of a certain franchise granted it by the city of La Verne by ordinance No. 31, new series, granting it, for a period of thirty years, the rights and privileges to lay, construct, maintain, use and operate an electric distribution system in the city of La Verne, county of Los Angeles, State of California, for the distribution and sale of electricity for all purposes other than lighting.

Applicant has been serving electric energy for lighting, power and other purposes in the city of La Verne, formerly known as the city of Lordsburg; there is no other electric utility serving in the city of La Verne, and the franchise granted by ordinance No. 31 gives applicant the right to continue to serve electric energy for other purposes than lighting in said town.

Following the hearing in this matter, held in Los Angeles on July 25, 1919, the board of directors of the Southern California Edison Company, on the nineteenth day of September, 1919, by resolution, duly authorized, empowered and directed its secretary to execute and file with the Railroad Commission a stipulation declaring for and on behalf of the Southern California Edison Company, that it, its successors and assigns, would never claim before the Railroad Commission, or any court or other public body, a value for the rights and privileges of the franchise granted under said ordinance No. 31 of the city of La Verne in excess of the original cost to said Southern California

Edison Company of said franchise, which cost is stated in said stipulation as the sum of \$100. This stipulation has been executed and filed with the Railroad Commission.

I find as a fact that public convenience and necessity require the exercise by Southern California Edison Company of the rights and privileges of the franchise granted it by ordinance No. 31 of the city of La Verne, and submit the following form of order:

**ORDER.**

Southern California Edison Company having applied to the Railroad Commission for a certificate of public convenience and necessity for the exercise by it of the rights and privileges under a certain franchise of the city of La Verne, a hearing having been held, copy of said franchise and stipulation as to its claim for the value therefor having been duly filed by Southern California Edison Company with the Commission, in form satisfactory to this Commission, the Railroad Commission of the State of California hereby declares that public convenience and necessity require the exercise by Southern California Edison Company of the rights and privileges of the franchise granted to it by ordinance No. 31 of the city of La Verne, approved on the twelfth day of May, 1919, by the board of trustees of the said city of La Verne.

The foregoing opinion and order is hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-fourth day of September, 1919.

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DECISION No. 6685.

IN THE MATTER OF THE CLASS RATES OF THE SOUTHERN PACIFIC COMPANY BETWEEN ALL POINTS SAN FRANCISCO AND SOUTH THEREOF TO AND INCLUDING LOS ANGELES VIA SAN JOSE AND SAN LUIS OBISPO, INCLUDING ALL BRANCH LINES.

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Case No. 687.

Decided September 24, 1919.

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BY THE COMMISSION.

**ORDER OF DISMISSAL.**

In this proceeding, the Commission, on its own motion, instituted an investigation into the class rates of the Southern Pacific Company between all points San Francisco and south thereof to and including Los Angeles via San Jose and San Luis Obispo.

Before the investigation was completed the President of the United States, by proclamation effective December 28, 1917, took possession and control of the railroads for war purposes and in the decision of the Supreme Court of the United States, dated June 2, 1919, *Northern*

*Pacific Railway Company and Walker D. Hines vs. State of North Dakota*, the power of the federal authorities to fix intrastate rates, under grant of war power by Congress, was upheld.

This Commission now being without authority to regulate intrastate rates of the Southern Pacific Company during the period of federal control, the case will be dismissed.

**ORDER.**

The Commission having no jurisdiction in this proceeding;  
*It is hereby ordered* that the same be and it is hereby dismissed.

Dated at San Francisco, California, this twenty-fourth day of September, 1919.

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DECISION No. 6686.

J. W. FRASER AND C. L. GOETZ

*vs.*

STANFORD WATER COMPANY, FRANK S. OSTRANDER, O. C. STINE  
 AND COMPANY.

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Case No. 1209.

Decided September 24, 1919.

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**JURISDICTION—MUTUAL WATER COMPANIES.**—A company delivering water to consumers, all of which are required to own stock in the water company in proportion to the acreage which they own, is held to be a mutual water company over which the Railroad Commission has no jurisdiction, irrespective of the fact that such company has rendered service to two consumers not owning stock, but which services have since been discontinued. Complaint dismissed.

*James P. Sax and Monroe Thomas, for C. L. Goetz.*

*John Ralph Wilson, for Stanford Water Company.*

BY THE COMMISSION.

**OPINION ON SUPPLEMENTAL AND AMENDED PETITION FOR REHEARING.**

The original pleadings put in issue the question whether Stanford Water Company is a mutual corporation or a public utility. By Decision No. 5829 the Commission held that company to be a public utility and directed it to file its rates, rules and regulations as such and submit plans for certain improvements considered necessary to enable the plant to render high class service.

A public hearing upon the amended and supplemental application for rehearing was held by Examiner Westover at Palo Alto, September 4. At the hearing dismissal of all proceedings by complainant Fraser was filed.

Defendant Stanford Water Company petitioned this Commission for rehearing and later filed an amended and supplemental application alleging error in the finding that defendant is a public utility subject

to the jurisdiction of this Commission. The amended petition for rehearing alleges in effect that subsequent to this Commission's Decision No. 5829, the articles of incorporation of Stanford Water Company were changed and amended in order to more nearly comply with the provisions of section 324 of the Civil Code, which section relates to making shares of a water company appurtenant to specified parcels of land and transferable with the land; that arrangements had been made with all consumers, except complainant Goetz, to accept stock in said company and operate it as a mutual water company, and that complainant Goetz contracted to discontinue the use of water from defendant's water system not later than May 1, 1918.

In Decision No. 5829 herein, the Commission said of the original pleadings and testimony thereunder:

The pleadings and testimony show that all parties in interest expected the water plant and system to be turned over to the land purchasers for operation as a mutual water company. This has not been done. The plant is operated by said defendant.

It appears from the testimony taken at the recent hearing upon the present application that since the original decision defendants Ostrander and Stanford Water Company have offered to issue certificates of its stock to all consumers in proportion to their acreage, except to complainant Goetz, stockholders to at once endorse certificates in blank as part of the same transaction and deposit them in escrow to be held until their lands are fully paid for, or to be delivered to defendants in the event default is made in the performance of their said land purchase contracts, consumers to at once choose two of the three members of the board of directors of defendant water company, and to select the third member of the board when their outstanding water bills are paid. The offer was accepted, and pursuant to it all the certificates of stock have been prepared ready for delivery, the company having delayed consummation of the agreement until after this decision is issued. The two directors chosen by consumers have been elected and are in control of the company.

Complainant Goetz, owing to a disagreement with Stanford Water Company and Ostrander, executed a contract dated September 21, 1917, whereby he agreed to discontinue the use of water from the system of Stanford Water Company subsequent to May 1, 1918. Mr. Goetz has not complied with the terms of this contract, stating that he believed defendant to be a public utility, and as such, obligated to render service to him.

Defendant herein has delivered water only to stockholders or to those who have contracted to become stockholders, with two minor exceptions in addition to the service rendered to Mr. Goetz, as provided in his contract. Of these two exceptions one has since been discontinued, and owing to the indefiniteness of the evidence submitted, it is uncertain



whether or not the delivery of water to the other was of public utility nature.

It is clear from the evidence submitted, that Stanford Water Company did not hold itself out to serve whomsoever applied for service, nor did it in fact deliver water to the public generally or any portion of the public other than to its stockholders or those who purchased land and contracted to become stockholders as soon as payment for the land had been completed and title to it had passed to them.

It is true that there are two minor exceptions, which have been mentioned above and are not controlling. The only present consumer who is without this general classification is complainant Goetz, whose contractual relations with defendant are discussed herein.

Recent decisions of the courts of last resort, rendered since the original decision herein, are now controlling, and necessarily have changed our view of defendant's status.

In view of the decisions of the courts above referred to, we are constrained to set aside the original order herein and hold defendant water company to be a mutual water company not subject to the jurisdiction, regulation or control of the Railroad Commission.

#### ORDER.

A public hearing having been held upon the supplemental and amended application in the above case and the matter being now ready for decision;

*It is hereby found as a fact* that Stanford Water Company is now a mutual water company within the meaning of recent decisions of the courts of last resort, and basing its order herein upon this finding and upon each of the findings contained in the opinion preceding this order,

*It is hereby ordered* that the order contained in the Commission's Decision No. 5829 of October 1, 1918, be and it is hereby set aside, and that the complaint herein be and it is hereby dismissed.

Dated at San Francisco, California, this twenty-fourth day of September, 1919.

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#### DECISION No. 6689.

IN THE MATTER OF THE APPLICATION OF SOUTHERN COUNTIES GAS COMPANY OF CALIFORNIA FOR AUTHORITY TO ISSUE AND SELL ADDITIONAL BONDS IN THE AMOUNT OF SIX HUNDRED THIRTY-ONE THOUSAND FIVE HUNDRED DOLLARS.

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#### Application No. 4966.

Decided September 30, 1919.

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Applicant authorized to issue \$631,500 face value of its first mortgage 5½ per cent bonds, of which amount \$261,906.52 may be sold at the present time at not less than \$5, proceeds thereof to be used to discharge notes and accounts payable,

provided no part of such proceeds shall be used to discharge indebtedness incurred in the purchase of gas properties at Santa Barbara and Ventura; the balance of authorization to be sold only under authorization contained in supplemental orders of the commission.

*Hunsaker, Britt & Edwards, by Leroy M. Edwards, for Applicant.*

*LOVELAND, Commissioner.*

#### OPINION.

Southern Counties Gas Company of California asks permission to issue \$631,500 of its first mortgage 5½ per cent bonds, due May 1, 1936.

In exhibits filed, applicant reports the cost of extensions, additions and betterments against which it has issued no bonds as follows:

Cost of extensions, additions and betterments installed prior to June 1, 1919 -----	\$21,900 38
Cost of extensions, additions and betterments installed during June and July -----	227,633 84
Cost of extensions, additions and betterments installed during August -----	\$3,377 41
Total -----	\$332,920 63

To pay for the extensions, additions and betterments applicant has incurred current indebtedness represented by notes and accounts payable. It asks permission to issue forthwith at not less than 85 per cent of their face value and accrued interest, \$266,000 of the \$631,500 of bonds applied for and to use the proceeds to pay current indebtedness. The \$266,000 is approximately equal to 80 per cent of the cost of extensions, additions and betterments.

The testimony shows that the \$227,633.84 expended during June and July includes \$5,537.48, representing expenditures in connection with and incidental to the purchase of the gas properties of Santa Barbara Gas and Electric Company and Southern California Edison Company. It is urged that the \$5,537.48 represents a part of the cost of the Ventura and Santa Barbara properties and that therefore the company should be permitted to issue bonds equal in amount to 80 per cent of the \$5,537.48.

In Decision No. 6362, dated May 29, 1919, wherein the Commission authorized Southern Counties Gas Company of California to issue bonds and acquire the gas properties of Southern California Edison Company and Santa Barbara Gas and Electric Company, the Commission, after referring to the condition of the properties and the purchase price, concluded that Southern Counties Gas Company of California should issue for the purpose of acquiring the properties not in excess of \$620,000 of bonds, an amount equivalent to the depreciated historical reproduction cost of the properties as found by the Commission's engineers.

While it is true that the \$5,537.48 represents expenditures incidental to the purchase of the Santa Barbara and Ventura properties, the fact

remains that the expenditure of \$5,537.48 has not in any degree enhanced the value of the properties so far as giving added service to the public. It occurs to me that the \$620,000 of bonds, the issue of which the Commission has heretofore authorized, for the purpose of paying in part for the gas properties of Santa Barbara Gas and Electric Company and Southern California Edison Company, represents the maximum amount of bonds which should be issued against the purchase price of the properties. Deducting the \$5,537.48 from the \$332,920.63 expended to August 31, 1919, leaves a balance of \$327,383.15. Against the expenditure of the \$327,383.15, applicant may be, in my opinion, properly permitted to issue bonds in the amount of \$261,906.52.

As of August 31, 1919, applicant reports \$1,500,000 of capital stock, \$4,343,000 of first mortgage 5½ per cent bonds and \$400,000 of two-year 6 per cent debentures outstanding. In addition applicant reports \$529,513.11 of notes and \$381,117.69 of accounts payable. The notes and accounts payable aggregate \$910,530.80. The notes payable reported at \$529,513.11 include notes having a face value of \$310,500 issued in connection with the purchase of the gas properties of Santa Barbara Gas and Electric Company and Southern California Edison Company. At the hearing applicant stipulated that no part of the proceeds obtained from the sale of the bonds herein authorized would be used to pay any of the indebtedness incurred in connection with the purchase of the Ventura and Santa Barbara properties.

In Exhibit "D" attached to the petition applicant estimates its capital expenditures from August 31, 1919, to December 31, 1919, at \$540,100. The company's construction program calls for the building of a 2,000,000 cubic foot storage holder at Long Beach, a 15,000-foot 4-inch pipe line from the Oak Ridge lease to Santa Paula, a 9-mile 4-inch pipe line from Santa Paula to Fillmore, a 34,000-foot 7½-inch pipe line to connect Brea-Pomona line with Southern California Gas Company line east of Chino, an 8000-foot 4-inch pipe line to connect Oak Ridge-Santa Paula line with Ventura-Santa Paula line, the replacement of 11,000 feet of the 2-inch Newport Beach line with a 4-inch line, extensions to compressor and boiler houses at Santa Barbara, the installation of 130,000 feet of 2-inch, 17,000 feet of 3-inch and 48,000 feet of 4-inch main and the installation of 1100 services, 1600 meters, 1300 regulators, together with other expenses made necessary by the normal and ordinary increase in applicant's business.

From time to time as applicant proceeds with the installation of extensions, additions and betterments it intends to file in this proceeding, supplemental petitions for permission to sell bonds in order to obtain moneys to pay in part the construction expenses.

I herewith submit the following form of order:

**ORDER.**

Southern Counties Gas Company of California having applied to the Railroad Commission for permission to issue bonds, a public hearing having been held and the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose or purposes specified in this order, and that the expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income;

*It is hereby ordered* that Southern Counties Gas Company of California be, and it is hereby, authorized to issue \$631,500 of its first mortgage 5½ per cent bonds, due May 1, 1936, subject to the following conditions:

1. Of the bonds herein authorized, \$261,906.52 may be issued by applicant for not less than 85 per cent of their face value, plus accrued interest, and the proceeds used to pay notes and accounts payable referred to in the foregoing opinion, and more particularly set forth in Exhibit "A" attached to the first supplemental petition in Application No. 4966, it being understood that no part of the proceeds obtained from the sale of the bonds will be used by applicant to pay indebtedness incurred in connection with the purchase of the gas properties of Santa Barbara Gas and Electric Company and Southern California Edison Company.

2. The remainder of the bonds, \$369,593.48, shall be sold by applicant only for such purposes and at such prices as the Railroad Commission may authorize in a supplemental order or orders herein.

3. Southern Counties Gas Company of California shall keep such record of the issue and sale of the bonds herein authorized and of the disposition of the proceeds, as will enable it to file on or before the twenty-fifth day of each month a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

4. The authority herein granted will not become effective until applicant has paid the fee prescribed by the Public Utilities Act.

5. The authority herein granted will apply only to such bonds as may be issued on or before March 1, 1920.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this thirtieth day of September, 1919.

## DECISION NO. 6694.

IN THE MATTER OF THE APPLICATION OF CONTRA COSTA REALTY  
COMPANY, A CORPORATION, FOR AUTHORITY TO INCREASE  
RATES FOR WATER SERVICE.

Application No. 4608.

Decided October 2, 1919.

A. F. Bray, for Applicant.

Albert C. Hart, in propria persona.

MARTIN, Commissioner.

## OPINION.

Applicant in the above-entitled proceeding alleges in effect that the present rates charged for water delivered to consumers are inadequate and asks the Commission for authority to increase its charges.

A public hearing was held in Martinez on September 11, 1919.

Applicant is operating a water system supplying consumers who reside immediately adjacent to the city limits of Martinez. The system consists of a well, pump, motor, tanks and a distribution pipe system. The well originally supplied all the water served to consumers but, owing to increased demands upon the system, will not now furnish sufficient water to meet all requirements. Applicant, therefore, is purchasing water from the municipal system owned by the town of Martinez and is pumping from its own well only enough water to supply consumers who are located upon high ground above the elevation which can be reached by the municipal system.

The town of Martinez has recently constructed a large reservoir at an elevation sufficient to furnish adequate service to all of applicant's consumers and, as soon as this reservoir is placed in service, applicant proposes to purchase its entire supply from the municipal system through a master meter and to distribute water to consumers through its own pipe system.

The present rates charged consumers are as follows:

*Flat Rates.*

For residence of not more than four rooms, including toilet and bath .....	\$1 00 per month
For each additional room.....	0 25 per month
For stores .....	3 00 per month
For lodging houses.....	3 00 per month
For hotels .....	5 00 per month

*Meter Rates.*

400 cubic feet or less.....	\$1 00 per month
From 400 to 1000 cubic feet, per 100 cubic feet.....	0 20 per month
Over 1000 cubic feet, per 100 cubic feet.....	0 15 per month

At the present time all water is sold at flat rates but applicant has recently purchased meters and intends to charge at metered rates.

There are from 40 to 45 consumers on the system and the revenues from the sale of water from July 1, 1918, to July 1, 1919, were \$446.50; operating expense for the same period amounted to \$1,519.04.

Water is purchased from the Martinez municipal system at the rate of 35 cents per 1000 gallons and applicant asks permission to put into effect the following rates for water delivered to consumers:

400 cubic feet (3000 gallons) or less, \$1.50 per month.

Over 400 cubic feet at the rate of \$0.373 per 100 cubic feet, which is equivalent to 50 cents per 1000 gallons.

These rates are the same as those charged by the Martinez municipal system for service of similar character in the immediate vicinity.

It is estimated that the differential of 15 cents between the rate per 1000 gallons at which water is purchased and the rate at which it is sold to consumers will yield a revenue of \$30 per month to applicant, assuming 42 consumers using an average of approximately 5000 gallons per month.

The revenue derived from this differential will be used to pay for repairs to the distribution pipe system, repairs to meters and services, bookkeeping, billing, collection, "meter slippage," and all other expense in connection with the operation of the system.

It was shown that during the month of August service to some consumers on the higher levels was inadequate, but it developed that the poor service occurred at a time when a pump bearing was being repaired and that a satisfactory supply is now being furnished.

Under the circumstances it appears that the proposed rates are reasonable.

#### ORDER.

Contra Costa Realty Company having made application for permission to increase rates for water delivered to its consumers in the vicinity of Martinez, a public hearing having been held thereon and the Commission being fully informed in the matter;

*It is hereby found as a fact* that the rates now charged by Contra Costa Realty Company for water delivered to its consumers are unjust and unreasonable in so far as they differ from the rates set forth in this order and that the rates so set forth in this order are just and reasonable rates to be charged by Contra Costa Realty Company.

Basing its order upon the foregoing finding of fact and upon the statements of fact contained in the preceding opinion;

*It is hereby ordered* that Contra Costa Realty Company be, and it is hereby, authorized and directed to file with the Railroad Commission, within twenty days from the date of this order, and thereafter charge the following rates for water delivered to its consumers in the vicinity of Martinez.

*Rate Schedule.*

400 cubic feet (3000 gallons) or less, \$1.50 per month.

Over 400 cubic feet at the rate of \$0.373 per 100 cubic feet, which is equivalent to 50 cents per 1000 gallons.

*And it is hereby further ordered* that the collection of the rates herein authorized is expressly conditioned upon the furnishing by Contra Costa Realty Company of an adequate supply of water to its consumers.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this second day of October, 1919.

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DECISION No. 6695.

IN THE MATTER OF THE APPLICATION OF MARTINEZ LAND COMPANY FOR PERMISSION TO TRANSFER TO CONTRA COSTA REALTY COMPANY THE PROPERTY OF SAID MARTINEZ LAND COMPANY.

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Application No. 4774.

Decided October 2, 1919.

*A. F. Bray*, for Martinez Land Company and Contra Costa Realty Company.

MARTIN, *Commissioner*.

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**OPINION.**

The former directors of Martinez Land Company, a corporation, who are now by reason of the dissolution of the corporation trustees for the stockholders, and Contra Costa Realty Company, a corporation, ask the Commission to authorize and confirm the transfer of a water system, serving consumers in the vicinity of Martinez, owned and formerly operated by Martinez Land Company, to Contra Costa Realty Company.

A public hearing was held in Martinez on September 11, 1919.

Testimony shows that Martinez Land Company, a corporation, owned real estate and a water system in the vicinity of Martinez, and in 1917 became dissolved by reason of failure to pay the state franchise tax, and that all property owned by Martinez Land Company, including the water system, was transferred to Contra Costa Realty Company in February of that year. The Railroad Commission's consent to the transfer of the water system was not obtained.

It was shown that Contra Costa Realty Company has operated the water system and supplied water to consumers for more than two years.

Obviously the transfer, made without consent of this Commission, is void but, as it is apparent that the interests of the consumers under the water system will be in no way adversely affected, it appears that the transfer should be authorized.

**ORDER.**

Application having been made to this Commission for authority to transfer a water system, by trustees of the stockholders of Martinez Land Company to Contra Costa Realty Company, a public hearing having been held thereon, and the Commission being fully informed in the matter and there appearing no good reason why the transfer should not be authorized;

*It is hereby ordered* that the trustees of the stockholders of Martinez Land Company, a defunct corporation, be, and the same are hereby, authorized to transfer to Contra Costa Realty Company, a corporation, a certain water system supplying water to consumers in Martinez Land Company's tracts, adjacent to Martinez, and consisting of a well, pump, electric motor, tanks, pipes, meters and other facilities, on the following conditions and not otherwise:

1. The consideration given for the transfer of public utility properties as herein authorized, shall not be taken as a measure of value of said properties before this Commission or any other public body for rate-fixing or for any purpose other than the transfer of property as herein authorized.

2. Within thirty (30) days from the date of this order, certified copy of the instruments of conveyance transferring the properties referred to herein shall be filed with this Commission by Contra Costa Realty Company.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this second day of October, 1919.

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DECISION No. 6700.

IN THE MATTER OF THE REORGANIZATION OF NORTHERN ELECTRIC RAILWAY COMPANY, A CORPORATION, NORTHERN ELECTRIC COMPANY, A CORPORATION, NORTHERN ELECTRIC RAILWAY COMPANY-MARYSVILLE AND COLUSA BRANCH, A CORPORATION, AND SACRAMENTO AND WOODLAND RAILROAD COMPANY, A CORPORATION, AND OF THE APPLICATION FOR AUTHORITY TO TRANSFER THE PROPERTIES OF THE LAST-MENTIONED CORPORATIONS TO A NEW CORPORATION, AND FOR PERMISSION TO ISSUE STOCKS AND BONDS OF THE SAID NEW CORPORATION.

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Application No. 1933.

Decided October 2, 1919.

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BY THE COMMISSION.

**SEVENTH SUPPLEMENTAL ORDER.**

Whereas the order in Decision No. 5432, dated May 25, 1918, among other things, provides that none of the moneys realized from Class



“A” bonds of Sacramento Northern Railroad shall be expended until a supplemental order or orders have been made by the Railroad Commission specifying the purposes for which said moneys may be expended; and

Whereas Sacramento Northern Railroad reports that it has an unexpended balance of \$316,682.60 of Class “A” bond money on hand, said \$316,682.60, however, including the moneys which the Commission by Decision No. 5736, dated December 7, 1918, authorized to be expended to pay for certain paving and street improvements in Yuba City; and

Whereas Sacramento Northern Railroad in a supplemental petition filed September 13, 1919, reports that from July 1, 1918, to June 30, 1919, it has expended on capital account \$215,514.34, and further reports estimated expenditures on capital account subsequent to June 30, 1919, of \$220,886.08, making a total of \$436,300.42; and

Whereas the actual and estimated expenditures, \$436,300.42, are largely in excess of the unexpended balance, \$316,682.60, referred to above; and

Whereas the engineering department of the Railroad Commission reports that after making due allowance for credits and adjustments resulting from the reconstruction of cars and the installation of other improvements, additions and betterments referred to in the supplemental petition, the amount actually expended or to be expended on capital account will be in excess of \$316,682.60; now, therefore,

*It is hereby ordered* that Sacramento Northern Railroad be, and it is hereby, authorized to use the unexpended balance—\$316,682.60—of Class “A” bond money, less the amount referred to in Decision No. 5736, dated December 7, 1918, to pay in whole or in part for the construction of the improvements, additions and betterments referred to in Table “1” and Table “2” attached to the supplemental petition filed on September 13, 1919, in Application No. 1933.

*It is hereby further ordered* that the order in Decision No. 5432, as amended, dated May 25, 1918, shall remain in full force and effect, except as modified by this seventh supplemental order.

Dated at San Francisco, California, this second day of October, 1919.

## DECISION No. 6725.

IN THE MATTER OF THE APPLICATION OF JOSEPH M. BERKLEY FOR  
A PRELIMINARY ORDER AUTHORIZING THE ACQUISITION OF  
GAS PLANTS IN THE CITIES OF BEAUMONT AND BANNING, AND  
THE ISSUANCE OF CERTAIN SECURITIES.

Application No. 4951.

Decided October 2, 1919.

Preliminary order issued approving the transfer of gas properties at Beaumont and Banning to a corporation to be hereafter organized and the issuance by such corporation of \$25,000 par value of common stock and \$42,500 face value of bonds, proceeds to be used in the purchase and rehabilitation of such properties.

*Gibson, Dunn & Crutcher*, by *H. F. Prince*, for Applicant.  
*Frank L. Miller*, for cities of Beaumont and Banning.

*BRUNDIGE*, Commissioner.

## OPINION.

This application involves the reconstruction and refinancing of the properties formerly owned by Riverside County Gas and Power Company. The company defaulted in interest payment and as a result its properties have been acquired by the Union National Bank of Pasadena at foreclosure sale.

Joseph M. Berkley, consulting engineer, has entered into an agreement, Applicant's Exhibit No. "3," with the bank looking toward the reconstruction and operation of the properties. The agreement provides that he shall cause to be organized a new corporation, to be known as Twin Cities Gas Company, with an authorized stock issue of \$25,000 and a \$42,500 twenty-year 6 per cent bond issue. The stock and \$15,000 of bonds shall be delivered to the bank in exchange for the properties. The remaining \$27,500 of bonds will be purchased by the bank at 90, and the proceeds used to rebuild and rehabilitate the plant. Riverside County Gas and Power Company has formerly owned and operated gas plants in the cities of Banning and Beaumont.

In Exhibit No. "1" Joseph M. Berkley, applicant, reports the historical cost of the properties as they now exist at \$53,354.87 and the historical cost of the properties which would be used or useful by the new company in case the plant is reconstructed along the lines indicated in the exhibits filed herein, at \$36,138.32. In arriving at the \$36,138.32, applicant testified that he had excluded all properties which it appeared would have to be replaced or would be abandoned in connection with the reconstruction of the plant. It is his intention to construct an entirely new distributing system at Banning, abandoning the present system and also a considerable portion of the capital included under "gas meters," leaving of the value of useful property, only the cost of meters. After an examination of the properties, the gas and electric

division of the Commission's engineering department, concludes that the properties are in an approximate 70 per cent condition. The gas and electric division also finds the historical cost of the properties as reported by Joseph M. Berkley to be reasonable.

In Exhibit No. "2," applicant estimates that it will require \$23,841.09 to put the gas system in Banning and Beaumont in good operation condition. The Commission's gas and electric division reports that practically all of the proposed work appears to be necessary if the plant is to be put in a first-class condition, which it should be if service is to be rendered to the public.

Applicant in Exhibit No. "2" also estimates the annual operating revenues and expenses as follows:

Operating revenues .....	\$17,280 00
Operating expenses and other disbursements:	
Operation and maintenance of plant.....	\$10,880 00
Taxes .....	1,080 00
Depreciation .....	1,275 00
Allowance for uncollectible bills.....	90 00
Bond interest .....	2,550 00
<b>Total .....</b>	<b>15,875 00</b>
<b>Balance .....</b>	<b>\$1,405 00</b>

The estimated revenues are based upon a total sale of 7,700,000 cubic feet of gas at the following rates:

<i>Domestic:</i>	
First 600 cubic feet or less.....	\$1 50
Next 2400 cubic feet.....	2 20 per thousand cubic feet
Next 7000 cubic feet.....	2 10 per thousand cubic feet
Over 10,000 cubic feet.....	1 80 per thousand cubic feet
Minimum monthly bill.....	1 50
Prompt payment discount if paid before tenth of month .....	10 per thousand cubic feet

It will be noticed that the rate proposed by J. M. Berkley allows no discount for the prompt payment of a minimum bill. The gas and electric division of the Commission's engineering department believes that such discount should be allowed and suggests the following rate schedule:

Per meter per month	Gross	Net
First 500 cubic feet or less.....	\$1 50	\$1 40
Next 2500 cubic feet.....	2 20	2 10 per thousand cubic feet
Next 7000 cubic feet.....	2 10	2 00 per thousand cubic feet
All over 10,000 cubic feet.....		1 70 per thousand cubic feet

**Prompt payment discount:**

The net rate above is applicable in case the bill is paid on or before ten days following date of presentation. In case bill is not paid within the ten-day period the gross rate is applicable.

It will be noticed that the rate schedule suggested by the gas and electric division of the Commission's engineering department varies only from that suggested by Mr. Berkley in allowing a discount on the

minimum bill and making the initial rate applicable to 500 cubic feet instead of 600 cubic feet. It appears from the record that representatives of the Chamber of Commerce have obtained written applications for service from 350 consumers at rates to be fixed by the Commission. The Commission is of the opinion that the rates suggested by Mr. Berkley, as modified by the gas and electric division of the Commission's engineering department should be collected for a reasonable time to demonstrate the effect of the experimental rates.

There is no doubt but that it is to the public interest that the gas plant be placed in a first-class condition. The testimony shows that there is a real desire on the part of the public to have the utility resume operations. To that end, I believe that it is proper to authorize the refinancing of the properties along the lines indicated in applicant's Exhibit No. "3" and their reconstruction as outlined in applicant's Exhibit No. "2." The final order authorizing the issue of stocks and bonds must necessarily be held in abeyance until a corporation has been formed and the necessary papers, articles of incorporation, trust deed and franchises, upon which an order can be predicated, filed with the Commission.

I herewith submit the following preliminary order:

**ORDER.**

Joseph M. Berkley having applied to the Railroad Commission for a preliminary order authorizing the conveyance of a gas plant located in the cities of Beaumont and Banning and the issue of securities, a public hearing having been held and the Commission being of the opinion that the conveyance of the properties and the issue of stocks and bonds by a corporation to be hereafter organized as outlined in applicant's Exhibit No. "3," is in the public interest;

*It is hereby ordered* that Union National Bank of Pasadena be, and it is hereby, granted authority to convey all the properties referred to in the petition herein and in exhibits filed at the hearing to a corporation to be hereafter organized, and said corporation, when organized, is hereby authorized to acquire said properties and to issue in payment therefor, and for such other purposes as the Railroad Commission may authorize, \$25,000 par value of common capital stock and \$42,500 face value of 20-year 6 per cent bonds, provided that this order will not become effective until there has been filed with the Commission for approval, a verified copy of the articles of incorporation, copies of the franchises obtained from the cities of Beaumont and Banning, copy of the proposed deed of trust securing the \$42,500 of bonds, and a supplemental order or orders authorizing the corporation to be hereafter organized to issue \$25,000 of stock and \$42,500 of 20-year 6 per cent bonds, approving the proposed mortgage and declaring that public convenience

and necessity require the exercise of the franchise rights and privileges obtained from the cities of Beaumont and Banning, made.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this second day of October, 1919.

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DECISION No. 6726.

IN THE MATTER OF THE APPLICATION OF THE RODEO VALLEJO FERRY COMPANY, A CORPORATION, FOR LEAVE TO ISSUE CAPITAL STOCK.

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Application No. 4152.

Decided October 2, 1919.

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BY THE COMMISSION.

**FIRST SUPPLEMENTAL ORDER.**

Whereas applicant reports that prior to June 30, 1919, it sold pursuant to the order of the Railroad Commission in Decision No. 6035, dated December 30, 1918, stock from which it realized the sum of \$10,285.49, of which \$4,785.49 is on deposit with the First National Bank of Rodeo and \$5,500 on deposit with the Broadway Bank of Oakland; and

Whereas the order of the Commission authorizing the sale of stock contains a provision that the \$10,285.49 shall be expended only for such purposes as the Railroad Commission may authorize; and

Whereas the testimony in Application No. 4969 shows that applicant has drawn upon its surplus earnings to the extent of approximately \$7,000 to acquire land and equipment for a new boat, and has incurred indebtedness in excess of \$7,400 representing permanent additions and betterments to the boat now owned and operated by applicant; now, therefore,

*It is hereby ordered* that The Rodeo Vallejo Ferry Company be, and it is hereby, authorized to use the \$10,285.49 received from sale of stock and on deposit with the Broadway Bank of Oakland and the First National Bank of Rodeo to reimburse its treasury to the extent that it has used surplus earnings to acquire land and equipment for its new boat, provided that the amount so used to reimburse its treasury, together with the remainder of the \$10,285.49, be used to pay in part the \$14,854.60 of indebtedness represented by accounts payable and reported in the company's financial statement filed in Application No. 4969.

*It is hereby further ordered* that the order in Decision No. 6035, dated December 30, 1918, shall remain in full force and effect, except as modified by this first supplemental order.

Dated at San Francisco, California, this second day of October, 1919.

## DECISION No. 6727.

IN THE MATTER OF THE APPLICATION OF SATICOY WAREHOUSE COMPANY, A CORPORATION, FOR PERMISSION TO SELL AND ISSUE ALL UNSOLD; NAMELY, FIVE THOUSAND SIX HUNDRED FIFTY DOLLARS, OF ITS COMMON CAPITAL STOCK, AND TO BORROW CERTAIN SUMS OF MONEY.

Application No. 4700.

Decided October 2, 1919.

Applicant authorized to issue at not less than face value, \$5,700 par value of its common capital stock and \$7,500 face value of notes, proceeds thereof to be used for improvements and the construction of additional storage space.

*George E. Farrand*, for Applicant.

BY THE COMMISSION.

## OPINION.

Saticoy Warehouse Company, in this application as amended at the hearing held before Examiner Encell on August 18, asks permission to issue 114 shares of its common capital stock of the par value of \$5,700, and notes in an amount not to exceed \$7,500.

Applicant was incorporated on August 30, 1917, with an authorized stock issue of \$30,000, divided into 600 shares of \$50 each. Under the authority granted in Decision No. 4882, dated November 27, 1917, as amended (Vol. 14, Opinions and Orders of the Railroad Commission of California, page 567), applicant issued \$24,370 par value of stock. The validity of one share of stock issued by applicant is doubtful and it therefore has at the hearing amended its application and now asks permission to issue \$5,700 instead of \$5,650 par value of stock.

As of June 1, 1919, applicant reports assets and liabilities as follows:

<i>Assets.</i>	
Building .....	\$17,322 09
Real estate and trackage.....	3,246 50
Equipment .....	3,613 50
Cash in bank .....	137 87
Accounts receivable .....	1,838 26
Inventory .....	960 23
Operating equipment .....	743 15
Total assets .....	\$27,861 00
<i>Liabilities.</i>	
Capital stock .....	\$24,350 00
Accounts payable .....	123 00
Notes payable .....	660 00
Profit and loss .....	2,728 00
Total liabilities .....	\$27,861 00

Applicant reports that it will be necessary for it to build a 100-foot extension to its warehouse for the purpose of increasing its bean storage space. The construction of the extension is to be of the same type as the warehouse now in operation and will be done on force account rather

than by contract. Due to increasing prices, applicant reports that the cost of the extension may be in excess of the \$10,000 originally estimated. Applicant further reports that it has purchased equipment and made improvements costing \$1,043.15 against which no stock has been issued. It is applicant's intention to sell its unissued stock and borrow only so much money as may be necessary to pay for the construction and improvements against which no stock has been issued.

#### ORDER.

Saticoy Warehouse Company having applied to the Railroad Commission for authority to issue stock and notes, a public hearing having been held, and it appearing to the Railroad Commission that the money, property or labor to be procured or paid for by the issue of such stock or notes is reasonably required for the purpose or purposes specified in this order and that the expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income;

*It is hereby ordered* that Saticoy Warehouse Company be, and it is hereby, authorized to issue and sell for not less than par, 114 shares (\$5,700) of its common capital stock for the par value of \$50 per share and issue not in excess of \$7,500 face value of notes, payable on or before three years after date with interest at not to exceed 7 per cent per annum.

The authority herein granted is subject to the following conditions:

1. One share of stock herein authorized shall be issued by applicant in lieu of one share of stock heretofore issued without authority from the Commission.

2. The proceeds from the remaining 113 shares (\$5,650) and the moneys obtained from the sale of the notes shall be used by applicant to pay for the improvements, costing \$1,043.15 and the construction of the 100-foot extension to its warehouse, referred to in the petition and testimony herein.

3. Saticoy Warehouse Company shall keep such record of the issue and sale of stock and notes herein authorized and of the disposition of the proceeds as will enable it to file on or before the twenty-fifth day of each month a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

4. The authority herein granted to issue notes will not become effective until applicant has paid the fee prescribed by the Public Utilities Act.

5. The authority herein granted will apply only to such stock or notes as may be issued on or before July 1, 1920.

Dated at San Francisco, California, this second day of October, 1919.

## DECISION No. 6728.

IN THE MATTER OF THE APPLICATION OF JAMES CANAL COMPANY AND TRANQUILLITY IRRIGATION DISTRICT FOR AN ORDER APPROVING AGREEMENT TO SELL PROPERTIES AND AUTHORIZING THE CONVEYANCE THEREOF AND THE PAYMENT OF THE PURCHASE PRICE THEREFOR, AND THE WITHDRAWAL OF SAID JAMES CANAL COMPANY FROM FURTHER OPERATIONS WITHIN TRANQUILLITY IRRIGATION DISTRICT.

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Application No. 4552.

Decided October 2, 1919.

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*James M. O'Brien*, for Applicant.

*L. L. Dennett*, for Tranquillity Irrigation District.

BY THE COMMISSION.

**OPINION.**

James Canal Company applies for authority to transfer to Tranquillity Irrigation District most of its irrigation system in and about Tranquillity, Fresno County, and a two-thirds interest in the Beta Main Canal, which extends from Fresno Slough, being the south branch of Kings River, westerly to and within Tranquillity Irrigation District near its southwest line.

A public hearing upon the application was held by Examiner Westover at Tranquillity.

The irrigation district recently organized, includes nearly all of the irrigation system of the James Canal Company and includes the lands of all the latter's consumers except two: W. E. Leak of Los Angeles, owning 20 acres, and R. F. Blair of Coalinga, owning 40 acres. These lands adjoin the southerly line of the irrigation district, and are within the new James irrigation district now being organized. The testimony shows that the owners of these lands hold contracts with the canal company. All other contracts for irrigation by the canal company with consumers outside of the new Tranquillity Irrigation District have been canceled, the consumers receiving stock in Beta Mutual Water Company in lieu thereof. The San Joaquin Valley Farm Lands Company, which subdivided all of the lands in the vicinity and which owns all of the stock of the Beta Mutual Water Company, and applicant, James Canal Company, offers to contract with Mr. Leak and Mr. Blair that they may have service from Beta Mutual Water Company, a suitable amount of its stock being assigned to them to assure such service. The irrigation heretofore available to these two pieces of land has been that which could be supplied through Beta main canal which receives water from the slough during a season of from four to six weeks, usually beginning about the middle of May. It appears from the testimony that they will be as well served under the proposed arrangements as they have been served in the past.



**ORDER.**

James Canal Company and Tranquillity Irrigation District having applied for authority to transfer an irrigation system from the former to the latter, a public hearing having been held thereon and the matter being ready for decision;

*It is hereby ordered* that James Canal Company be, and it is hereby, authorized and empowered to transfer to Tranquillity Irrigation District the property described in the agreement between said parties, dated February 13, 1919, and attached to the application herein as Exhibit "D," the property described in said exhibit, including the property set forth in the schedule hereto annexed, for the agreed purchase price of \$50,000, with interest thereon at the rate of 6 per cent per annum from the date of said agreement until paid.

This authority is granted upon the following conditions:

1. Applicants shall within sixty days from date hereof procure and file with the Commission cancellation and surrender of contract between James Canal Company and W. E. Leak for irrigation of the latter's 20 acres of land and contract between said company and R. F. Blair for the latter's 40 acres of land; or in lieu of cancellation of said two contracts the assurance of San Joaquin Valley Farm Lands Company that said lands of said Leak and Blair shall receive water service from Beta Mutual Water Company equal to that provided for said lands by said contracts with said James Canal Company; the authority herein contained to transfer property not to become effective until said contracts have been surrendered and filed with the Commission or until said assurance and resolution of said San Joaquin Valley Farm Lands Company has been filed with the Commission.

2. The authority herein contained shall extend only to such conveyance as may be executed and delivered within ninety days from date hereof.

3. Within ten days after execution and delivery of conveyance, James Canal Company shall make written and verified report to the Commission setting forth the fact and date of delivery of conveyance and file copy thereof.

4. Nothing herein contained shall be construed as a finding by the Railroad Commission of the value of said property to be transferred.

Dated at San Francisco, California, this second day of October, 1919.

**SCHEDULE TO ACCOMPANY DECISION IN APPLICATION NO. 4552,  
SHOWING REAL PROPERTY TO BE COVERED BY CONVEYANCE  
THEREIN AUTHORIZED.**

**I.**

All canals and ditches forming a part of James Canal Company's irrigation system as shown and delineated upon the official map thereof recorded in volume 7 of Records of Surveys at page 22, Fresno County records, together with all right, title and interest of said company in and to the easement and rights of way therefor,

together with any and all rights it heretofore may have acquired, if any, by prescription or otherwise, to divert and distribute water to and for beneficial use upon any land now included within the boundaries of said district; excepting:

(a) Ditches numbered 32, 33 and 35, and main canal numbered 6, and all that part of main canal numbered 4, ditch numbered 34 and main canal numbered 5, lying southerly of the south line of subdivision 8 of Tranquillity Colony as said line is delineated upon the official map thereof on file and of record in volume 5 at page 51 of Records of Surveys, Fresno County records;

(b) Also excepting that part or portion of the inside and outside canals lying southeasterly of the east line of section 30, township 15 south, range 16 east, Mount Diablo Base and Meridian;

(c) Also excepting that certain ditch extending from the end of said main canal numbered 6 at a point in lot 1 of subdivision 9 of Tranquillity Colony and extending in a northwesterly direction through lot 26 in subdivision 8 of Tranquillity Colony to a point in lot 27 of said subdivision 8.

## II.

An undivided two-thirds interest in and to that part and portion, lying easterly and southeasterly of the east line of section 30, township 15 south, range 16 east, Mount Diablo Base and Meridian, of that certain canal known as the Beta Main Canal, together with the headgate thereof, as shown and delineated upon a map thereof recorded in volume 9 of Records of Surveys at pages 65 and 66, Fresno County records; and also an undivided one-half interest in and to the diversion weir and dam situate near the southwest corner of section 6, township 16 south, range 17 east, Mount Diablo Base and Meridian, used and useful for the purpose of effectuating and regulating the diversion of water from Fresno Slough into said Beta Main Canal; and also an undivided one-half interest in and to a certain dam or check situate in a branch slough at a point in and near the southerly boundary of the northeast quarter of section 8, township 15 south, range 17 east, used and useful for the purpose of facilitating the diversion of waters into said Beta Main Canal; it is understood that the undivided interests in and to the properties hereinbefore in this paragraph specified are the whole and entire interests therein owned and transferable by said company, and that the remaining undivided interests therein are owned by the Beta Mutual Water Company, a corporation, and not intended by this instrument to be sold by said company to said district.

Also the pumping plant and pump house, together with all machinery and equipment therein and constituting a part of said pumping plant, situate on the west bank of Fresno Slough near the southwest corner of section 33, township 14 south, range 16 east, Mount Diablo Base and Meridian, together with a site one hundred feet square, or its equivalent in area, upon which the same is situate and for the convenient use and occupation thereof; and also all existing pumps, pumping plants, culverts, checks, headgates and other irrigation works owned by said company attached to and forming a part of the canals and ditches and parts of canals and ditches sold, as aforesaid.

Also the right, jointly with the Beta Mutual Water Company, a corporation, its successors and assigns, to operate, maintain and repair the said part of Beta Main Canal hereby sold, and also said dam, diversion weir, headgate and check or dam afore mentioned.

And said company agrees to cause the Beta Mutual Water Company, a corporation, to quit claim to said district all of its right, title and interest in and to that part or portion of the right of way of said Beta Main Canal lying northwesterly of the east line of said section 30, township 15 south, range 16 east, Mount Diablo Base and Meridian, as shown upon the said map of said canal, and also an undivided two-thirds interest in and to the headgate and right of way of that part of said Beta Main Canal lying easterly and southeasterly of the east line of said section 30, township 15 south, range 16 east, Mount Diablo Base and Meridian, and also an undivided one-half interest in and to the diversion weir and dam and check or dam specified in paragraph II hereof, reserving in said Beta Mutual Water Company the remaining undivided interests in and to said properties.

## DECISION No. 6729.

FRANK L. MILLER

vs.

THE LIGHT AND POWER UTILITY, LIZZIE GHRIEST, OWNER.

Case No. 1342.

Decided October 2, 1919.

**SERVICE EXTENSIONS—ADVANCES TO COVER COST OF.**—The Railroad Commission, while not generally favoring a rule requiring a prospective consumer to advance to the utility a portion or all of the cost of making an extension to serve, will require that such an advancement be made when special conditions render such a requirement reasonable.

Defendant required to complete the necessary extension to complainant's residence within thirty days, provided complainant deposit the sum of \$30 covering cost thereof, this amount to be returned within a period of twelve months.

*Frank L. Miller*, for Complainant.

*C. H. L. Ghriest*, for Defendant.

*BRUNDIGE*, Commissioner.

**OPINION.**

This is a complaint brought by Frank L. Miller of Banning, requesting that the defendant, The Light and Power Utility, be ordered to install the necessary poles, lines, service and meter, and furnish complainant with electric service for lighting his residence, located on Fourth street in the city of Banning.

Complainant alleges that he is the owner of lots three (3) and five (5) of Frank Miller's Subdivision in the city of Banning, which lots are located in the south half of the block lying between Third and Fourth streets and Nicolet avenue and George street in the city of Banning; that on July 10, 1919, a written request was made by complainant for said service but defendant has always refused and still refuses to furnish or to prepare to furnish electric service to his residence.

The hearing in this matter was held at Banning on September 24. It appears that defendant is willing to serve complainant from a pole located on Fourth street north of the complainant's house, a distance of about 200 feet, by the installation of a pole near complainant's house and extension of line and service, requiring an expenditure of approximately \$35, but that, by resolution duly adopted by the board of trustees of the city of Banning on June 10, 1919, defendant was ordered to remove the poles above referred to and not to install any additional poles along said street.

Defendant has a secondary circuit running north between Third and Fourth streets and ending approximately 150 feet south of Nicolet avenue. A one-pole extension of this line and the extending of service to the complainant's house will be sufficient to render the service desired.

More adequate service could be rendered by extending the pole up the alley last referred to than by any means of connecting complainant's house to the circuit on Fourth street, as suggested by defendant, especially when it is noted that at the present time the secondary extension to which defendant intended to connect complainant's house is already overloaded.

The city of Banning has applied to the Commission, Application No. 4609, to have the Commission determine just compensation to be paid for the defendant's property with a view to purchasing the same.

Defendant is limited in its ability to obtain equipment and even at the present time defendant has not been able to purchase all of the equipment necessary to serve its existing consumers. Defendant has, however, sufficient poles on hand to make the extension required.

In view of the special conditions in this case, it appears fair and reasonable to me that defendant should be required to make the extension in the alley between Third and Fourth streets north from the end of the present line south of Nicolet avenue, a distance of one pole extension, and to connect its said lines with a service drop to the residence of complainant and render the service required.

This extension would cost in the neighborhood of \$60, and, although the Commission in general does not favor a company requiring its consumers to advance a portion of the cost of an extension, it appears, under the special conditions existing in this case, that it would be fair and reasonable to require that complainant advance to defendant the sum of \$30 as partial payment for the cost, same to be refunded with interest at 6 per cent per annum twelve months from date said money is advanced, or at such earlier time as defendant might sell its property to the city of Banning.

I recommend the following form of order:

**ORDER.**

Frank L. Miller having filed complaint against The Light and Power Utility, Lizzie Ghriest, owner, requesting that the Commission order The Light and Power Utility to extend its lines to render service to his residence, a hearing having been held, the matter submitted and ready for decision;

*It is hereby ordered* that The Light and Power Utility, Lizzie Ghriest, owner, within thirty days from the date of this order, shall complete the necessary extension of its electric system north along the alley between Third and Fourth streets on the present pole approximately 150 feet south of Nicolet avenue to a point north of said avenue and extend its service to the residence of complainant, provided complainant shall have deposited with defendant the sum of \$30 to cover part of the cost of this extension within twenty days of the date hereof.

*It is hereby further ordered* that defendant return to complainant the amount deposited, together with interest at 6 per cent per annum, at the expiration of twelve months from date same is deposited, or at such earlier time as the property of defendant is purchased by the city of Banning.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this second day of October, 1919.

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DECISION No. 6732.

IN THE MATTER OF THE APPLICATION OF HOLTON INTERURBAN RAILWAY COMPANY, A RAILWAY CORPORATION OPERATING IN IMPERIAL COUNTY, STATE OF CALIFORNIA, FOR AUTHORITY AND LEAVE OF THE RAILROAD COMMISSION TO DISCONTINUE THE CARRYING OF PASSENGERS BY SAID APPLICANT COMPANY FROM AND BETWEEN EL CENTRO AND HOLTVILLE, IN SAID COUNTY AND STATE, OR FOR AN ORDER OF THE SAID COMMISSION GRANTING AND AUTHORIZING SUCH OTHER AND FURTHER RELIEF AS TO THE COMMISSION MAY APPEAR JUST.

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Application No. 4827.

Decided October 2, 1919.

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*I. B. Potter*, for Applicant.

BY THE COMMISSION.

**ORDER.**

Holton Interurban Railway Company, a corporation, has petitioned the Railroad Commission for an order authorizing the discontinuance of passenger service on its line between Holtville and El Centro, all in Imperial County, for the reason that the patronage accorded the line is unprofitable and is resulting in continued and increasing deficits.

A public hearing on the application was conducted by Examiner Handford at El Centro on September 24, 1919, the matter was duly submitted and is now ready for decision.

Applicant herein, in the endeavor to furnish its patrons satisfactory passenger service at the minimum operating cost, discontinued the operation of steam passenger trains on December 31, 1917, and placed in service a passenger bus, with a capacity of seventeen passengers, such bus being equipped with combination steel and rubber tires, permitting operation over both the rails of the applicant and the public highways. A service of six round trips per day has been maintained, on approximately two-hour intervals. Notwithstanding the experiment, the patronage of the traveling public has not been accorded the service offered by the applicant and the daily average number of passengers carried is less than 20 per cent of the carrying capacity of the equipment.

The route of the railway is paralleled by the service of passenger automobile stages, operating on an hourly schedule between 7 a.m. and 7 p.m., and charging higher rates than those in effect on the line of the applicant.

A statement filed by the applicant as an exhibit supporting the application in this proceeding indicates that during the period of seventeen months, January, 1918, to May, 1919, inclusive, the total number of passengers carried was 19,354, or an average of 37.5 passengers per day. The total revenue during the same period amounted to \$6,946.10; the total expense, exclusive of any depreciation, amounted to \$6,681.66, a profit of \$264.44, or an average profit of \$15.55 per month. The total expenses, including depreciation, for the above period amounted to \$8,411.76, indicating a deficit of \$1,465.66, or an average deficit of \$86.21 per month. The record further indicates that the monthly deficits are increasing, due to travel becoming lighter and operating expenses increasing.

At the hearing on this application there was no appearances or witnesses in protest against the granting of the application, although the notice of the public hearing had been advertised in a newspaper of current circulation in the territory served by applicant's line; also notices were posted at all stations of the applicant and in the cars.

We are of the opinion that this is a situation where clearly the public prefers the use of automobile stages, even at a higher rate, over the route for which applicant seeks abandonment of passenger service, and in the absence of protest of any kind and the fact that a continuing deficit is accumulating in the continuance of a service which is not patronized by the public, it is better that the energies of the applicant company be directed to the furnishing of a satisfactory freight service, the abandonment of the freight service not being included with the passenger service, relief from which is sought in this proceeding.

After careful consideration of the application and of the evidence in this proceeding, we are of the opinion that the application should be granted.

*It is hereby ordered* that this application be, and the same hereby is, granted, subject to the following conditions:

Applicant herein, before discontinuing passenger service between Holtville and El Centro, shall post notices for the information of the traveling public in all its stations and passenger cars, such notice to contain the date upon which the discontinuance of passenger service shall become effective under the permission hereby granted.

The Commission reserves the right to make such other and further orders in this proceeding as to it may be considered just and proper, or

as the public convenience and necessity may, in the judgment of the Commission, demand.

Dated at San Francisco, California, this second day of October, 1919.

DECISION No. 6733.

IN THE MATTER OF THE APPLICATION OF THE LOS ANGELES AND SANTA PAULA DAILY EXPRESS FOR AUTHORITY TO CANCEL PRESENT FREIGHT RATES BETWEEN LOS ANGELES, SANTA PAULA, SATICOY AND INTERMEDIATE POINTS AND TO ESTABLISH IN LIEU THEREOF A FREIGHT CLASSIFICATION AND A NEW SCHEDULE OF RATES.

Application No. 4914.

Decided October 2, 1919.

BY THE COMMISSION.

OPINION.

The Los Angeles and Santa Paula Daily Express, by Lewis A. Monroe, its agent, applied to the Commission for an order authorizing a readjustment of its freight rates. This truck line operates between Los Angeles, Santa Paula, Saticoy and intermediate points. Its first tariff was filed and became effective January 1, 1919, and provides but two class rates, with only a limited classification to govern the rates to be assessed different commodities. The present first and second class rates are shown in the following schedule:

Between Los Angeles and	Rates in cents per 100 pounds	
	First class	Second class
Newhall -----	35	25
Saugus -----	35	25
Castaic -----	40	30
Piru -----	40	30
Fillmore -----	40	30
Sespe -----	40	30
Santa Paula -----	40	30
Saticoy -----	45	35

It is proposed to establish an enlarged classification which will provide four class rates, as follows:

Between Los Angeles and	Class rates in cents per 100 pounds			
	1	2	3	4
Newhall -----	31½	26½	22	19
Saugus -----	31½	26½	22	19
Castaic -----	36½	33	30	27
Piru -----	52	47	39½	31½
Fillmore -----	59½	47	39½	31½
Sespe -----	62½	47	39½	31½
Santa Paula -----	62½	47	39½	31½
Saticoy -----	62½	47	39½	31½

It will be noted by comparing the two schedules that to certain destinations the first and second class rates will be reductions over the rates now in effect. Many commodities which under the present classification move under first and second class rates have been reclassified and under the proposed tariff will take third and fourth class rates. The reclassification of the commodities brings about increases and decreases. A statement attached to the application, giving the tonnage carried during the month of July, 1919, shows that the proposed classification of rates will reduce the charges for transporting groceries, flour, dried fruits and many other commodities handled by merchandise stores who are the principal patrons of this applicant. The tonnage statement shows that the increases apply principally to commodities moving at infrequent intervals.

Applicant states that the readjustment is not sought with a view to secure any increase in revenue, but solely to establish a uniform method of applying charges, making them conform as to classification, to the practices followed by the rail and express competitors. The proposed rates, in many instances, are in excess of the rates being charged by railroad lines, but this is explained by reason of the fact that the auto trucks of this applicant make store door deliveries and render an express service, which can not be properly compared with the service performed by the railroad companies. Tariffs originally published apparently gave no consideration to a proper classification of the commodities to be handled and are in a very incomplete form.

The proposed rates will apparently give to shippers a more equitable adjustment of charges without any intention on the part of the transportation company to increase its total revenue, and, in view of such fact, we are of the opinion from the exhibits attached to the application, that this is not a matter on which a public hearing is necessary and that the application should be granted.

#### ORDER.

The Los Angeles and Santa Paula Daily Express, by Lewis A. Monroe, its agent, having applied to the Railroad Commission for an order granting authority to establish a freight classification and a new schedule of freight rates between Los Angeles, Santa Paula, Saticoy and intermediate points, and the Commission being fully advised and believing this is not a matter on which a public hearing is necessary and that the application should be granted:

*It is hereby ordered* that the application is hereby authorized and granted.

Dated at San Francisco, California, this second day of October, 1919.



## DECISION No. 6735.

GEORGE H. KITTAMS

vs.

LOS ANGELES RAILWAY CORPORATION.

Case No. 1316.

Decided October 2, 1919.

EXTENSIONS—STREET RAILWAY SERVICE.—The Railroad Commission will not require a street railway company to construct an extension when it is shown that the prospective revenues therefrom would not equal the operating costs of the extension. Complaint dismissed.

*C. C. Hartley*, for Complainant.

*Gibson, Dunn and Crutcher*, for Defendant.

*BRUNDIGE*, Commissioner.

**OPINION.**

The complainant in this case represents a number of petitioners residing in and adjacent to Huntington Park, Los Angeles County, California, who ask the Commission to make an order requiring the defendant to extend its street railway system from the present terminus on the Santa Fe avenue line south to Florence avenue, a distance of 1.06 miles. The extension asked for is desired because it would accommodate, according to complainant, a very large number of residents of Huntington Park and adjoining territory. A petition asking that this extension be made and containing about eight hundred names was filed in connection with the complaint.

The defendant in its answer states that it is financially unable to construct the desired extension and that public convenience and necessity do not require this expenditure. Defendant also states that a double track street railway line is now maintained and operated along Pacific boulevard in Huntington Park parallel to Santa Fe avenue at a distance of 1500 feet and that this line furnishes adequate service to the public living in this vicinity. The answer to the complaint also makes the point that the defendant has no franchise or other rights to construct the extension prayed for and that this Commission is without jurisdiction to order such an extension.

This case was heard in Los Angeles on June 19, 1919. The Commission's engineering department had been instructed to make an investigation into the merits of the complaint and the department's report was filed at this hearing.

The investigation shows that there are now about 250 residences and houses in the district immediately tributary to the proposed extension, with a maximum population of approximately 2000. The majority of the patrons of the line are, however, now served either by the Pacific

boulevard line or by the lines of the Pacific Electric Railway running through Huntington Park.

It appears that a single track extension, making use of old rail and adopting the least expensive construction standards, could not be built for less than \$25,000. Assuming this cost and also a minimum operation, namely 1 one-man shuttle car giving about a fifteen minute service and connecting with every second car on the Santa Fe avenue line, the operating expenses would amount to \$22.40 per day, to which should be added a minimum allowance for depreciation, taxes and interest of \$9.29 per day. A minimum gross revenue from the extension of \$31.69 would be necessary, therefore, in order to pay for the bare cost of this service. About 650 cash fares per day would be required to pay the expenses of operating the proposed extension. According to the engineering department's estimate, in the neighborhood of 500 cash fares per day could be expected from this district. But since most of these patrons now use the Huntington Park line on Pacific boulevard, probably not more than twenty per cent of the 500 riders would be additional fares to the company. A net gain in traffic of 200 additional cash fares each day could be expected, therefore, by reason of this additional service. The gross revenue from these fares would be \$10 per day. With gross expenses of \$31.69 per day, this would mean a net loss each day of \$21.69.

The witnesses for the complainant questioned this earning estimate as too conservative. In view of the fact, however, that an eighteen-hour traffic check at Vernon and Santa Fe avenues was made by the engineering department, with the showing that about 1800 persons on 132 round trips ride in and out of the entire district south of Vernon avenue now served by the Huntington Park line, the estimate would not seem unsound. From this entire district at this time the company receives about 3600 fares per day, with the result that the Huntington Park line is not paying the expenses of operation since its revenue per car mile is only about 17.3 cents. It is evident that its earnings would be further decreased by the construction of the proposed extension.

Although Huntington Park and the adjacent territory is a rapidly growing community, it does not appear from the evidence in the case that conditions in the near future will change to an extent to warrant an order as asked for by the complainant because of immediate future development. If later such a development should occur, the matter can again be taken under consideration.

In view of this condition and also having in mind the fact that the territory in question is not without street car service (although the requested extension would undoubtedly add to public convenience), it

does not seem reasonable to require the company to construct this line at this time.

I recommend to the Commission that the complaint be dismissed without prejudice.

#### ORDER.

Complaint having been made by George H. Kittams against Los Angeles Railway Corporation asking for the extension of defendant's street railway system as set forth in the foregoing opinion; an investigation having been made and a hearing having been held; and the Commission finding as a fact that public convenience and necessity do not require the construction of the desired extension and that an unreasonable expense would have to be incurred by defendant if such an extension were ordered, and that the gross revenue would be insufficient to pay the cost of service;

*It is hereby ordered* that the complaint be, and the same is hereby, dismissed without prejudice.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this second day of October, 1919.

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#### DECISION No. 6736.

IN THE MATTER OF THE APPLICATION OF THE PACIFIC GAS AND ELECTRIC COMPANY, A CORPORATION, FOR AN ORDER OF THE RAILROAD COMMISSION AUTHORIZING APPLICANT TO ENTER INTO AN AGREEMENT WITH THE DIRECTOR GENERAL OF RAILROADS, THE SOUTHERN PACIFIC RAILROAD, CENTRAL PACIFIC RAILWAY COMPANY AND SOUTHERN PACIFIC COMPANY.

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Application No. 4722.

Decided October 2, 1919.

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INTERCHANGE OF SERVICE—RIGHTS OF WAY, CONSIDERATIONS FOR.—The Railroad Commission, while not generally approving the interchange of service between two or more utilities for right of way privileges, authorizes the execution of a temporary agreement whereby the power company agrees to furnish the railroad companies a stated amount of electric energy in consideration for the use of a right of way for its electric transmission lines, pending the relocation of such lines.

*Chas. P. Cutten*, for Applicant.

*W. M. Singer*, for the Director General of Railroads, Southern Pacific Railroad, and Southern Pacific Company.

*DEVLIN*, Commissioner.

#### OPINION.

This proceeding is brought by applicant, Pacific Gas and Electric Company, for authority to execute an agreement with the Director General of Railroads, the Southern Pacific Railroad, Central Pacific

Railway Company and the Southern Pacific Company, under the provisions of subdivision (b) of section 17 of the Public Utilities Act, in order that it may depart from its regular rate schedules in charging the railroad companies for electric service, which departure is in consideration of the further exercise by Pacific Gas and Electric Company of certain rights of way privileges heretofore granted by the railroad companies.

A hearing was held in San Francisco on August 25, 1919, and, being submitted, the matter awaits decision.

It appears that on February 2, 1900, the Southern Pacific Railroad Company, Southern Pacific Coast Railway Company, Central Pacific Railway and Southern Pacific Company, hereinafter referred to as "the railroads," entered into an agreement with the Standard Electric Company, predecessor of applicant herein, under the terms of which the electric company was permitted to construct and maintain poles and wires for the transmission of electric energy for a term of ten years on the following rights of way of the railroad companies:

1. From San Bruno, San Mateo County, California, to Mayfield, Santa Clara County, California;
2. From Alviso, Santa Clara County, to San Jose, Santa Clara County, California;
3. From Oakland, Alameda County, California, to Irvington, Alameda County, California;

and, in consideration thereof, the electric company agreed to deliver, free of charge, to the railroad companies at the railroads' car shops in the city of Oakland, 25 continuous horsepower of electricity.

On September 20, 1906, the railroads entered into an agreement with the Bay Counties Power Company, successors to the Standard Electric Company, and predecessor of applicant herein, in accordance with which the terms of the former agreement of February 2, 1900, were extended for an additional term of ten years, expiring February 2, 1920.

On November 25, 1911, the railroads entered into a further agreement with the Pacific Gas and Electric Company, successor of the Standard Electric Company and Bay Counties Power Company, whereby Pacific Gas and Electric Company agreed that, in lieu of furnishing 25 continuous horsepower, as provided in the agreement of February 2, 1900, it would substitute therefor the equivalent in electric energy required for lighting 211 electroliers, which the railroad companies were required to erect and maintain on Seventh street in accordance with the terms of a franchise of the city of Oakland, under which the railroads operate electric interurban trains.

These agreements have been filed and approved by the Railroad Commission, and the consequent deviation in rates has been countenanced by this Commission.

All the aforesaid agreements terminate, by limitation, on February 22, 1920, and the parties thereto desiring to continue under these arrangements, with certain exceptions noted hereinafter, and having drafted a new indenture, filed as Exhibit "A" with the application herein, now request the authority of the Commission to execute the necessary agreement to continue the exchange of electric service for right of way occupancy for a period of one year from February 22, 1920, and thereafter, as provided for in the new agreement.

The electric company never availed itself of its right to occupy the right of way from San Bruno to Mayfield. It did use and is now using the right of way from Alviso to San Jose, but has been given notice by the railroads to vacate this right of way, and will do so before the expiration of the present agreement. Applicant proposes to remove its poles and wires from all portions of the railroads' rights of way before February 2, 1920, excepting from that portion of the right of way extending from Fallon street to Fiftieth avenue, in the city of Oakland.

The commission does not generally look with favor upon exchanges of service by a utility for rights of way, and has, in the past, endeavored to place such exchanges upon a cash basis. The propriety of permitting further exchange of utility service for property rights hinges entirely upon the question of whether the interests of the public are thereby benefited.

The proposed agreement permits the occupancy of three miles of right of way in the city of Oakland for the same consideration on the part of the electric company that it formerly gave for the occupancy of twenty-one miles of right of way from Oakland to Niles.

At the present time the Pacific Gas and Electric Company maintains an 11,000-volt distribution line along the railroads' right of way from Fallon street to Twenty-third avenue in Oakland, and a 60,000-volt transmission line from Twenty-third avenue to Fiftieth avenue in Oakland. Applicant is now constructing a new main substation at Newark, and has obtained rights of way on private property, with the exception of two parcels of land now in litigation, which will permit it to remove, before February 2, 1920, all of its poles and wires now located on the railroad right of way from Fiftieth avenue, Oakland, to Niles. Its plans further contemplate the later removal of all of its 60,000-volt line, which shall remain on the railroads' right of way from Twenty-third avenue to Fiftieth avenue in the city of Oakland, in connection with the construction of a high voltage receiving substation at

or near Fiftieth avenue in Oakland. Pacific Gas and Electric Company will thereby remove all of its high voltage lines, not only from the railroads' right of way, but also from the more densely settled portions of the city of Oakland.

The immediate cost to the Electric Company of removing those portions of its lines that shall remain on the railroads' right of way, which will necessitate the construction of the aforementioned substation at Fiftieth avenue and other changes in its lines in the city of Oakland, is stated to be approximately \$250,000. The relocation of the present 60,000-volt line from the railroad right of way to a public highway is not to be considered as an alternative on account of the hazard involved.

The expenditure of \$250,000 in the necessary construction would impose a fixed charge upon applicant of approximately \$25,000 per annum, for which it would have a right to ask reimbursement in rates. The revenue from the service now given by applicant in the lighting of the railroads' electroliers, if charged at schedule rates, would not exceed \$5,000 per annum.

From the standpoint of the railroads, their rights of way are now more valuable than at the time the original contracts were negotiated, and although the mileage now to be occupied is but one-seventh of that heretofore used by the electric company, the railroads contend that the service they are receiving will not be an excessive compensation for the proposed occupancy of their rights of way. The railroads express their policy of requiring all foreign utilities to vacate their rights of way as rapidly as conditions permit, and have from time to time required the removal of all facilities not directly connected with railroad operations. Both parties agree that the proposed arrangement is a temporary one, not to continue for more than two or three years at the most, and are willing to accept any conditions this Commission may see fit to require in the matter.

The Director General of Railroads remains a party to the proposed agreement for such time as said railroads shall continue under federal control.

The attention of the parties hereto is directed to General Order No. 53 of this Commission, which requires that all contracts and agreements entered into between public utilities for service to their consumers shall contain the following provision:

This contract shall at all times be subject to such changes, or modifications, by the Railroad Commission of the State of California, as said Commission may, from time to time, direct in the exercise of its jurisdiction.

The proposed agreement contemplating the furtherance of an arrangement heretofore sanctioned by the Commission, the proposed arrangement being of a temporary character, and the public's interest not thereby affected, I recommend the granting of the authority to

applicant to enter into the proposed agreement in accordance with the following form of order:

**ORDER.**

Pacific Gas and Electric Company, applying to the Railroad Commission for an order authorizing it to enter into an agreement with the Director General of Railroads, Southern Pacific Railroad, Central Pacific Railway Company and Southern Pacific Company, whereby the electric company furnishes the railroads with certain electric service in exchange for the temporary occupancy of certain rights of way of the railroads from and after February 2, 1920, the Commission finding that the granting of such authority is proper, and not inconsistent with the public interest;

*It is hereby ordered* that Pacific Gas and Electric Company be, and it is hereby authorized to enter into an agreement with the Director General of Railroads, Southern Pacific Railroad, Central Pacific Railway Company and Southern Pacific Company, substantially under the terms and conditions set forth in Exhibit "A" filed with the application;

Provided, that the agreement shall contain the provision required by General Order No. 53 of the Railroad Commission; and

Further provided, that Pacific Gas and Electric Company file with the Railroad Commission stipulation to the effect that it will, at any time during the life of the proposed agreement, terminate its occupancy of the railroads' rights of way at such time and under such conditions as the Railroad Commission may, in the public interest, hereafter direct.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this second day of October, 1919.

**DECISION No. 6737.**

IN THE MATTER OF THE APPLICATION OF THE DIRECTOR GENERAL OF RAILROADS, UNITED STATES RAILROAD ADMINISTRATION, AND SOUTHERN PACIFIC COMPANY AND SOUTHERN PACIFIC RAILROAD COMPANY FOR PERMISSION TO DISCONTINUE PASSENGER SERVICE, UNTIL FURTHER ORDER OF THE COMMISSION, ON THE STEAM RAILROAD LINE BETWEEN THE CITIES OF SAN PEDRO AND LONG BEACH, CALIFORNIA.

Application No. 4897.

Decided October 2, 1919.

W. R. Gilbert, for Applicants.

LOVELAND, Commissioner.

**OPINION.**

In this application permission is asked by the United States Railroad Administration, through the Southern Pacific Company and Southern

Pacific Railroad Company, to discontinue passenger service now being given by said Southern Pacific Company and Southern Pacific Railroad Company on the steam road line between the cities of San Pedro and Long Beach, California, until further order of the Railroad Commission.

Testimony developed the fact that there are three different transportation companies serving the territory in question, namely, applicant Southern Pacific Company, Los Angeles and Salt Lake Railway Company and the Pacific Electric Railway Company, the first two being steam roads and the latter an electric line.

The passenger service which the Southern Pacific Company has given between the cities of San Pedro and Long Beach, for several years, has practically amounted to nothing, in fact, it is in evidence that no passengers have been carried by that line for a period of five years although a passenger coach, attached to the train which does the freight business, has been run one trip per day in each direction.

The Los Angeles and Salt Lake Railway is practically along the water front between San Pedro and Long Beach and affords service for passengers between these cities. The Pacific Electric Railway runs over a route which, for much of the distance between the cities in question, parallels the line of the Southern Pacific. Its service is exclusively for passengers on a 40-minute headway from 5.50 a.m. to 9.50 p.m., with additional trains at 10.15 p.m., 11.10 p.m. and 11.58 p.m., this service in both directions. Five extra trains are run in the morning from Long Beach to San Pedro to carry the workmen employed in the shipbuilding plants and canneries at that place; these trains are run in the opposite direction in the evening to carry the workmen to their homes.

Mr. C. A. Smith, General Passenger Agent of the Pacific Electric Railway Company, testifying for applicant, stated that the Pacific Electric Railway Company could effectively care for all demands for passenger service in the territory traversed by the Southern Pacific Company between Long Beach and San Pedro, and that the passenger service now offered by applicant's one coach a day in each direction, such coach being attached to a freight train, was of no value to the public. It was shown by the evidence that ample publicity had been given to the public that applicant had asked to discontinue this passenger service and that no protests had been received.

The expense of operating the coach, as above set forth, and its upkeep, were shown by the testimony to be \$50 per day. Under all the circumstances as herein set forth, we find that the application should be granted, and submit the following order:

#### ORDER.

The Director General of Railroads, United States Railroad Administration, through the Southern Pacific Company and Southern Pacific



Railroad Company, having applied to this Commission for permission to discontinue passenger service until further order of the Commission on the steam road line between the cities of San Pedro and Long Beach, California, and the matter having been heard, after due notice being given to the public, and the evidence submitted at such hearing justifying the granting of said application;

*It is hereby ordered* that the Director General of Railroads, United States Railroad Administration, and Southern Pacific Company and Southern Pacific Railroad Company, be and they are hereby authorized to discontinue the operation of the passenger coach now being run once a day in each direction between the cities of San Pedro and Long Beach, California, until further order of this Commission.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this second day of October, 1919.

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DECISION No. 6744.

VENTURA REFINING COMPANY

*vs.*

SOUTHERN PACIFIC COMPANY, ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY, LOS ANGELES AND SALT LAKE RAILROAD COMPANY, AND PACIFIC ELECTRIC RAILWAY COMPANY.

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Case No. 1189.

Decided October 3, 1919.

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**JURISDICTION—FEDERAL CONTROLLED RAILROADS—REPARATION AWARDS.**—It is held that the Railroad Commission has jurisdiction to award reparation to shippers if it is found that unjust and excessive rates have been charged on shipments moving prior to December 28, 1917, the date that the federal government assumed control.

**RAILROAD RATE CONSTRUCTION.**—The construction of a rate for a one line movement from a full combination of locals is held to be contrary to well established principles of rate making, particularly when such rate affects a producer whose competitors ship under special commodity rates direct from refineries.

Rates on refined oil products and distillate between Fillmore and Los Angeles, Slauson and Colton held to be unreasonable and discriminatory and complainant is awarded as reparation the difference between the rate charged and what is found to be a reasonable rate, with interest at 7 per cent. on all shipments moving during the period January 1, 1916, and December 27, 1917.

*Sanborn & Roehl*, for the Complainant.

*H. C. Booth*, for Southern Pacific Company.

*E. W. Camp* and *A. M. Reinhardt*, for The Atchison, Topeka and Santa Fe Railway Company.

*Frank Karr*, for Pacific Electric Railway Company.

*LOVELAND*, Commissioner.

**OPINION.**

This complaint filed December 31, 1917, alleges that the rates on petroleum refined oils from Fillmore to local points on the lines of

Southern Pacific Company are excessive, unjust, unreasonable, discriminatory and unlawful; that local rates of Southern Pacific Company from San Pedro to points on its line subject complainant to undue and unreasonable prejudice and disadvantage, and confer undue and unreasonable preference and advantages upon shippers from San Pedro; that the defendants maintain joint rates and through routes from East San Pedro, El Segundo, Stewart, Colegrove and other points to various points of destination on the lines of the several defendants, which joint rates confer undue and unreasonable preferences and advantages upon shippers and manufacturers of refined oils at those points; that defendants failed and refused to publish reasonable joint rates or any joint rates from Fillmore to the same destinations, to which joint rates are published from other refineries and shipping points, and that such refusal subjects complainant to undue and unreasonable prejudice and disadvantage; that for two years prior to filing of complaint, complainant has paid Southern Pacific Company excessive, unreasonable and discriminatory freight rates for the transportation of oil from Fillmore to Los Angeles and Colton, and had during the same period paid to the defendants, Southern Pacific Company, and The Atchison, Topeka and Santa Fe Railway Company, excessive, unreasonable and discriminatory rates for the transportation of oil from Fillmore, on the Southern Pacific lines, to Slauson, a point on the Santa Fe.

The Commission is asked to establish just and reasonable rates for the transportation of oil from Fillmore to points on the lines of Southern Pacific Company in California, and joint rates from Fillmore to points on lines of other defendants. Reparation is asked on shipments moving from Fillmore to Los Angeles, Colton and Slauson for the period January 1, 1916, to December 27, 1917, inclusive, based 8 cents per 100 pounds from Fillmore to Los Angeles and Slauson, and 15 cents per 100 pounds from Fillmore to Colton, together with interest at rate of 7 per cent per annum. Carload rates only are involved.

All of the defendants filed answers, in effect denying the various allegations of the complaint and praying that the proceeding be dismissed. In a supplemental answer, filed May 13, 1918, the Southern Pacific Company denies the jurisdiction of this Commission to hear and determine this case, by virtue of the proclamation of the President of the United States, under which the federal government assumed control of the railroad lines of the defendant for war purposes on December 28, 1917, and also under the provisions of the Federal Control Act, passed by Congress March 21, 1918.

Public hearings were held at Los Angeles May 23, 1919, and at San Francisco on June 11, 1919. Final briefs were submitted August 14, 1919, and the case is now ready for determination.

Complainant amended its pleadings at the first hearing by eliminating that part of the prayer asking this Commission to prescribe just, reasonable and non-discriminatory rates; therefore, there remains for consideration only the question of an award of reparation against shipments transported January 1, 1916, to but not including December 28, 1917, this latter date being the day the federal government assumed control of the railroads for war purposes under the President's proclamation.

Counsel for defendants did not seriously urge, either at the hearings or in his brief, that this Commission had no jurisdiction to award reparation against these shipments.

I am of the opinion jurisdiction over reparation adjustments involving traffic moved prior to December 28, 1917, is with the Commission and will, therefore, decide the case on its merits.

Petroleum and petroleum products to a large extent move under commodity rates in the State of California, but where no commodity rates are published, the charges are based on the fifth class rates for gasoline and refined oils, as per Western Classification, and on 80 per cent of the fifth class for engine distillate, as per Pacific Freight Tariff Bureau Exception Sheet. On account of this differentiation between engine distillate and other refined products of petroleum, the former, when hereinafter alluded to, will for more convenient discussion be termed distillate, while gasoline, kerosene, lubricating oil and other refined products will be referred to as refined products.

The following table sets forth the mileage, the rates in effect at the time shipments moved, also the fifth class rates between the points in question:

From Fillmore to—	Miles	Rate per ton of 2,000 pounds		
		Refined products	Distillate	Fifth class rate
Los Angeles .....	55	\$3 00	\$2 40	\$3 00
Colton .....	113	A 6 20	B 5 10	6 40
Slauson .....	62	C 3 40	D 2 80	3 80

A—Fifth class of \$3, Fillmore to Los Angeles, plus commodity rate of \$3.20, thence to Riverside as maximum.

B—80 per cent of fifth class, or \$2.40, Fillmore to Los Angeles, plus San Pedro commodity rate of \$2.70.

C—Fifth class of \$3, Fillmore to Los Angeles, plus Atchison, Topeka and Santa Fe commodity rate of 40 cents thence.

D—80 per cent of fifth class, or \$2.40, Fillmore to Los Angeles, plus Atchison, Topeka and Santa Fe commodity rate of 40 cents thence.

It is to be noted that no through commodity rates are in effect to either of these three points. To Los Angeles the class rates govern while the rates to Colton and Slauson are made up of a combination of

the class and commodity rates over Los Angeles, the rate from latter point to Colton being the San Pedro to Colton rate held as a maximum.

The complainant has for some years been shipping distillate and refined products to points in southern California and elsewhere, but principally to Los Angeles, Colton and Slauson.

Fillmore is located on the main line of the Southern Pacific Company, between Montalvo and Saugus, and, as the preceding table shows, is 55 miles from Los Angeles. Colton is on the main line of the Southern Pacific 58 miles east of Los Angeles, or 113 miles from Fillmore. Slauson is a point on the Redondo Branch of the Santa Fe, 7 miles from Los Angeles, or 62 miles from Fillmore.

Considering first the rates from Fillmore to Los Angeles; the rate on refined products is \$3 per ton for a distance of 55 miles, the rate per ton per mile 5.45 cents, and the earnings per car mile, based on 67,000 pounds, which is the average loading of equipment of complainant, is \$1.83.

To market its products successfully, complainant was obliged to meet the competition of the Standard Oil Company shipping from El Segundo, the Union Oil Company shipping from Stewart, and such shippers who brought oil to San Pedro and other coast ports by vessel and reshipped by rail to Los Angeles.

All of the defendants maintain a rate of 40 cents per ton to Los Angeles from producing and shipping points on their respective lines. The defendant, Southern Pacific Company, published this rate from San Pedro, a distance of 25 miles, which yields the carrier 1.6 cents per ton per mile, or 55 cents per car mile, based on loading of 67,000 pounds.

If defendant accorded complainant the same rate per ton per mile from Fillmore to Los Angeles as it published from San Pedro, the complainant would be entitled to a rate of about 90 cents per ton. Defendant contended that a rate of 40 cents per ton from San Pedro to Los Angeles is unduly low and should not be used as a measure of comparison to establish reasonable rates from Fillmore.

For some time prior to the establishment of the 40 cent rate from the different shipping points mentioned a rate of 60 cents had been in force. The evidence shows there was considerable rivalry between some of the defendants to locate the refinery of the Standard Oil Company on their respective rails and that the plant was finally located at El Segundo, served by the Santa Fe and Pacific Electric railways, the latter road being virtually owned by the Southern Pacific Company.

The record clearly indicates that the Santa Fe succeeded in securing the location of the plant at El Segundo by offering the same rate inducements as were tendered by the Southern Pacific Company, and it is quite apparent that the rate of 40 cents per ton granted complainant's competitors was the result of efforts of the various carriers

to locate the Standard Oil Company's plant on their rails and can not be considered as a forced or compelled rate.

However, notwithstanding the circumstances surrounding establishment of the 40 cent rate, the presumption should not be indulged that this rate is in and of itself reasonable, although there can be no doubt it creates an unjust discrimination against complainant. In the determination of just and reasonable rates this Commission must, in making rate comparisons, consider rates that are just and reasonable in character which brings us to a consideration of rates for approximately equidistant points maintained by defendant Southern Pacific Company either locally or jointly with other defendant carriers.

The following table will be helpful in this connection:

Distillate and Refined Products.

	Miles	Rate per ton	Rate per ton mile	Rate per car mile, based 67,000 lbs. loading
From Fillmore to Los Angeles-----	55	{ A \$3 00	\$0 0545	\$1 83
From San Pedro to Pomona-----	57	{ B 2 40	0436	1 46
From Stewart to Narod (via Pacific Electric and Southern Pacific)-----	58	1 40	0245	82
From El Segundo to Chino (via Pacific Electric and Southern Pacific)-----	55	1 40	0241	81
			0254	85

A—Refined products.

B—Distillate.

The above table indicates that for a main line movement Fillmore to Los Angeles, defendant, Southern Pacific Company, charges rates per ton and per ton mile over twice as high as it charges complainant's competitors for similar distances, where the hauls involve branch line service or two line movements which admittedly are more expensive than a main line movement over a single road, and which the carriers have always urged should carry higher rates.

Defendants failed to show that these rates were less than just and reasonable or that they were not fully remunerative, and in the absence of such showing it must be assumed that the rates were fully compensatory for the service performed.

Numerous other comparisons could be cited, but the rates quoted are sufficient for the purposes of this case.

Before considering the rates to the other points involved, it may be well to point out that defendants have followed no uniform or consistent basis in adjusting oil rates in southern California. In some cases the straight fifth class rate applying from Los Angeles to destination is published as a commodity rate on refined products and extended to apply from San Pedro, El Segundo, East San Pedro, Wilmington, Redondo and Stewart.

In other cases, commodity rates are published from these points which are even less than the fifth class rate from Los Angeles. There are instances where the rates on refined products and distillate are the same, while in other cases distillate takes much lower rates than refined products. Again, rates are blanketed for considerable distances. The result is that the ordinary rules of rate construction are absent from practically the entire oil rate adjustment in southern California, and if the Commission were called upon to adjust these inconsistencies, it would probably be necessary to make a general revision of rates from the various shipping points in that section.

From Fillmore to Colton complainant was charged a rate of \$6.20 per ton on refined products and rate of \$5.10 per ton on distillate. These rates, as has heretofore been shown, are a full combination of locals over Los Angeles.

Complainant's competitors do not pay a full combination of locals over Los Angeles to reach this same territory; in fact they pay no charge whatever over the Los Angeles rate. Complainant was required to pay the full local rate from Los Angeles to destination and in addition thereto the full fifth class rate, Fillmore to Los Angeles, while its competitors, even though the oil may be hauled into Los Angeles by another or the same line, pay only the Los Angeles rate to destination.

The practice of making rates for a one line movement by a full combination of locals is not only contrary to well established principles of rate making, but in view of defendants' practices in constructing rates from refineries of complainant's competitors, the imposition on complainant's shipments of a full combination of locals is wholly unjustified.

The testimony discloses that it was the general practice of defendant carriers to extend the Los Angeles rates to apply from San Pedro, El Segundo, Redondo and Stewart, thus creating a blanket of all the oil shipping territory in this district, entirely disregarding the additional distance of approximately 25 miles. The creation of this oil center zone and the arbitrary publication of rates in which the Southern Pacific, Santa Fe, Los Angeles and Salt Lake Road and Pacific Electric Railway participated appears to have developed without any consideration of the effect it would have upon the movement of oil from producing points not within the zone.

Defendant, Southern Pacific Company, publishes in connection with the Pacific Electric Railway, from Stewart to Carpinteria, for a distance of 114 miles, rates on refined products of \$4 per ton, and distillate of \$3.20 per ton. From El Segundo to Nordhoff, a distance of 108 miles, involving a two line haul as well as a branch line haul of 15 miles, the defendant Southern Pacific Company, Atchison, Topeka and Santa Fe

Railway Company, and the Pacific Electric Railway Company, jointly, maintain rates on refined products of \$4.20 per ton, and \$3.36 per ton on distillate.

The same rates were maintained by Southern Pacific Company from San Pedro to Carpinteria, and Nordhoff, for distances of 116 miles and 115 miles, respectively. Against these rates defendant Southern Pacific Company charged complainant \$6.20 per ton on refined products and \$5.10 per ton on distillate from Fillmore to Colton, a one line movement of substantially similar distance.

Complainant referred to a great many rates in northern California, for distances substantially similar as from Fillmore to Colton, which rates ranged from \$3.20 to \$3.60 per ton.

Defendant maintained that the rate adjustment in northern California should not be used as a criterion for rates in southern California as the northern California rates were as a general rule below normal on account of competitive influences surrounding their establishment.

Upon cross-examination, however, defendants' witness was unable to satisfactorily explain the competitive conditions which it is claimed were responsible for the lower rate structure in the northern part of the state, the principal point developed indicating that the reductions were the result of an attempt to place the different competing points around the bay on an equality.

It is unnecessary, however, to go into this question at length, as a comparison of the Fillmore rates with those in southern California will suffice to show the handicap under which Fillmore is laboring.

A witness for defendant, The Atchison, Topeka and Santa Fe Railway Company, testified that rates of \$3 per ton from Redondo to Fallbrook, 121 miles, and Redondo to Escondido, 129 miles, both movements involving two branch line hauls, were presumptively reasonable.

Complainant presented as its Exhibit No. 1 a statement showing tonnage and earnings of all refined oils transported by the Southern Pacific Company for the year 1914 as reported to this Commission in compliance with General Order No. 29. This exhibit shows that for distances 51 to 100 miles, the tonnage was carried an average distance of 75 miles at an average rate of \$1.87 per ton, an average rate per ton mile of 2.58 cents and an average earning per car mile of 72 cents, as compared with the rates against refined oils of \$3 per ton from Fillmore to Los Angeles, a distance of 55 miles, and rate of \$3.40 per ton from Fillmore to Slauson, a distance of 62 miles. The same exhibit shows that for distances 101 to 150 miles, the average distance carried is 116 miles, the average rate on refined oils is \$3.89 per ton, the average rate per ton mile 3.36 cents and the average revenue per car mile 88 cents, as compared with the rate on refined products from

Fillmore to Colton of \$6.20 a ton for a distance of 113 miles. While these average rates, taking the Southern Pacific oil tonnage as a whole, are not determining factors of what a rate should be between certain specified points, yet it does illustrate the fact that the Fillmore rates are much higher than the average rate for the entire Southern Pacific system.

There remains for consideration the rates from Fillmore to Slauson, involving a joint movement over the Southern Pacific, Fillmore to Los Angeles, and Santa Fe, Los Angeles to Slauson. The rates collected were based on the Southern Pacific local rates Fillmore to Los Angeles of \$3 per ton, on refined products, and \$2.40 per ton on distillate plus the Santa Fe local, Los Angeles to Slauson, of 40 cents per ton on both commodities.

Inasmuch as shipments from San Pedro, Stewart and other shipping points located on lines other than The Atchison, Topeka and Santa Fe Railway paid the local over Los Angeles for the additional service rendered by the Santa Fe from Los Angeles to Slauson, there would seem to be no good reason why the same basis should not obtain in making rates from Fillmore.

The oil rates from Fillmore were increased June 25, 1918, as per Director General of Railroad's Order No. 28 and supplement thereto by approximately 25 per cent, but not to exceed  $4\frac{1}{2}$  cents per 100 pounds. Under date of April 5, 1919, a reduction in the rates was made upon recommendation of the San Francisco District Freight Traffic Committee.

The following table gives the rates from Fillmore to Los Angeles, Slauson and Colton before the increased rates were established and those in effect thereafter:

	Rates per ton of 2,000 pounds From Fillmore to—		
	Los Angeles	Slauson	Colton
Refined products—			
June 24, 1918.....	\$3 00	\$3 40	\$6 20
Increased by General Order No. 28.....	3 80	4 30	7 10
Present rate—established by District Freight Committee April 5, 1919.....	2 60	3 00	5 40
Distillate—			
June 24, 1918.....	2 40	2 80	5 10
Increased by General Order No. 28.....	3 30	3 70	6 00
Present rate—established by District Freight Committee April 5, 1919.....	2 60	3 00	4 90

It will be noted that the San Francisco District Freight Traffic Committee, by its action April 5, 1919, reduced the rates on refined products, Fillmore to Los Angeles, from \$3 in effect prior to June 24, 1918, to \$2.60, and increased the distillate rate from \$2.40 to \$2.60.



From Fillmore to Slauson the rate on refined products was reduced from \$3.40 to \$3 and on distillate increased from \$2.80 to \$3; from Fillmore to Colton the refined product rate was reduced from \$6.20 to \$5.40 and the distillate from \$5.10 to \$4.90.

The rates established by the District Freight Committee no doubt took into consideration the conditions existing April 5, 1919, and therefore gave thought to the 90 cent increase placed in effect by General Order No. 28.

If this 90 cent increase had been deducted from the rates published April 5, 1919, upon recommendation of the San Francisco Committee, the rates would then have been on refined products, Fillmore to Los Angeles \$1.70, to Slauson \$2.10 and to Colton \$4.50. On distillate, to Los Angeles \$1.70, to Slauson \$2.10 and to Colton \$4. Complainant contends that these rates should be considered as the maximum rates for the service when rendered, they being the conclusions of the Federal Traffic Committee, a majority of whose members were formerly in the employ of the Southern Pacific, Western Pacific, and The Atchison, Topeka and Santa Fe railways.

Before concluding it is well to call attention to the general adjustment of oil rates from Fillmore at the time of filing of this complaint and which were under investigation by the Commission at the time its jurisdiction over intrastate carriers under federal control ceased. Although these rates are not now in issue, a brief reference to them will be enlightening by way of showing the general prejudicial position in which complainant was placed. From Fillmore to Mojave and the territory north thereof the rates on distillate and refined products were based straight fifth class and 80 per cent of fifth class, respectively, whereas commodity rates were concurrently in effect from San Pedro and other southern California shipping points to same points of destination which were uniformly lower. For instance, the rate on refined oils from Fillmore to Mojave, 94 miles, is \$8.80 per ton, while from San Pedro to Mojave, 126 miles, the rate is \$6 per ton. This difference is reflected at all points north. Owing to the absence of through rates from Fillmore, it is necessary to combine on Saugus, the junction point for the line running north through the San Joaquin Valley and south to southern California. There is no commodity rate between these points, the fifth class rate being \$2.80 per ton for haul of 24 miles, whereas for a similar distance from San Pedro to Los Angeles rate of 40 cents per ton obtains. A commodity rate from Fillmore to Saugus more in line with those prevailing between points of equal distance would place Fillmore in a better position on tonnage moving to points beyond Saugus under a combination of rates on this junction.

Traffic from San Pedro passes through the expensive terminals at Los Angeles and over the San Fernando range of mountains, thus involving much greater transportation costs than on the tonnage moving from Fillmore to the same territory. If cost of service and the length of haul only were considered, it is very apparent that rates from Fillmore to Mojave and points north should be lower than rates from San Pedro, but for some unexplained reason defendant, Southern Pacific Company, has constructed its rates on an exactly opposite basis, charging the lower rate from San Pedro where a longer and more expensive service is involved. This discriminatory and unreasonable condition exists to almost as great an extent at points east of Los Angeles.

As an example, the rate San Pedro to Imperial, 238 miles, is \$9.60 on refined products. From Fillmore to Niland, a haul of approximately equal distance, the rate is \$12.20. Not only has San Pedro and points similarly situated been given the Los Angeles rate, which has the theoretical effect of placing such refineries at Los Angeles some 25 miles closer to destinations, but distance has again been disregarded by establishment of commodity rates from the southern California refineries to points in this territory lower than from Fillmore to equidistant points, as evidenced in the instance just cited. A more aggravated case of prejudicial and unreasonable treatment would be difficult to find.

On considering all of the evidence, the conclusion is irresistible that rates assessed at time shipments moved from Fillmore were excessive and unreasonable. There appears to be no good reason why complainant should not at all times have been given reasonable rates which would insure it against discrimination and prejudice when compared with rates given its competitors in the same general territory.

I am of the opinion and find as a fact that on shipments made by complainant from January 1, 1916, to December 27, 1917, inclusive, from Fillmore to Los Angeles, Colton and Slauson, complainant was charged excessive, unreasonable, discriminatory and unlawful rates for the transportation of refined products and distillate and that just and reasonable rates should not have exceeded the following:

	Refined products, including gasoline, kerosene, and lubricating oil—rate per ton	Distillate—rate per ton
From Fillmore to Los Angeles.....	\$1 40	\$1 40
From Fillmore to Slauson.....	1 80	1 80
From Fillmore to Colton.....	4 00	3 20

I further find that complainant paid and bore the charges at the rates herein found unreasonable; that it has been damaged to the extent of the difference between the charges paid and those that would have

accrued at the rate herein found reasonable; and that it is entitled to reparation with interest at rate of 7 per cent per annum.

The following form of order is submitted:

#### ORDER.

Complaint and answer having been filed in the above entitled proceeding, a public hearing having been held, the Commission being fully apprised in the premises, and basing its order on the findings of fact which appear in the foregoing opinion;

*It is hereby ordered* that Southern Pacific Company and The Atchison, Topeka and Santa Fe Railway Company be, and the same are hereby authorized and directed to pay unto complainant, Ventura Refining Company, on or before December 31, 1919, a sum equal to the difference between the charges paid and those that would have accrued at the rate herein found reasonable, with interest thereon at the rate of 7 per cent per annum from date of collection, as reparation on account of unreasonable charges assessed on carload shipments of petroleum refined products including gasoline, kerosene, lubricating oil and engine distillate moving from Fillmore to Los Angeles, Slauson and Colton during the period January 1, 1916, to December 27, 1917, inclusive.

*It is hereby further ordered* that if an agreement can not be reached as to the exact amount of reparation due, complete data be submitted to this Commission when a supplementary order fixing amount of reparation will be entered.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this third day of October, 1919.

## DECISION No. 6746.

IN THE MATTER OF THE APPLICATIONS OF ASSOCIATED TERMINALS COMPANY, THE HASLETT WAREHOUSE COMPANY, THE HUTTON WAREHOUSE, PENINSULA WAREHOUSE, SAN FRANCISCO WAREHOUSE COMPANY, SEAWALL UNITED STATES BONDED WAREHOUSE, SOUTH END WAREHOUSE COMPANY, VALLEJO BONDED AND FREE WAREHOUSES, DE PUE WAREHOUSE COMPANY, TURNER-WHITTELL WAREHOUSE, NATOMA WAREHOUSES, AND LAWRENCE WAREHOUSE COMPANY, FOR AUTHORITY TO INCREASE CHARGES FOR HANDLING, WEIGHING AND STORING COMMODITIES IN WAREHOUSES AT SAN FRANCISCO, OAKLAND AND SACRAMENTO, CALIFORNIA.

Applications Nos. 3703, 3704, 3711, 3712, and 3736.

(Supplemental.)

Decided October 3, 1919.

**RATES—WAREHOUSE UTILITIES—INFLUENCING CONDITIONS.**—Due to the fact that certificates are not required to be obtained by warehouse utilities, that new utilities may enter the field, and that there is no protection for existing utilities from competition, marked increases in operating expenses can only be met through increases in storage rates. Applicant authorized to increase rates for storage, handling, weighing and other warehouse services, such increases to become effective within twenty days.

*C. W. Dubrow*, for Applicants.

*Henry P. Dimond*, for California Bean Dealers Association.

*DEVLIN*, Commissioner.

**THIRD SUPPLEMENTAL OPINION.**

The original applications of which the present supplemental petition forms a part, were filed on April 27, 1918, based primarily upon the alleged necessity for granting at that time an increase in the wages of warehouse employees from \$3 per day of nine hours to \$4 per day. Upon the showing made in said applications, the Commission, in its Decision No. 5427 of May 25, 1918, authorized the following rates for the services indicated:

- (1) 75 cents per hour per man for special labor in connection with the handling of commodities.
- (2) 45 cents per ton for handling commodities, with a minimum charge of 25 cents.
- (3) 35 cents per ton for weighing commodities with a minimum charge of 15 cents.
- (4) 30 cents per ton for loading into cars packages weighing 150 pounds each, or less; 40 cents per ton for loading into cars packages weighing in excess of 150 pounds each.
- (5) 25 cents per ton for unloading cars containing packages weighing 150 pounds each or less; 32½ cents per ton for unloading cars containing packages exceeding 150 pounds each in weight; the same charges to apply for loading or unloading gondola cars.
- (6) 75 cents per hour for loading or unloading from cars iron, machinery and other heavy and bulky articles.
- (7) That the labor charge for repiling merchandise in warehouse be the same as the handling charge.

On June 8, 1918, applicants presented their first supplemental petition alleging that by reason of increase in wages to \$4 per day of 8 hours and 75 cents per hour for overtime, an additional operating expense had been incurred which necessitated higher charges for handling commodities offered for storage in applicants' warehouses; an approximation placed the proposed increase at 20 per cent for the service of loading or unloading cars, weighing, and handling commodities into and from warehouses. In its Decision No. 5514, dated June 25, 1918, the Commission granted a further increase of 20 per cent in said handling charges. The new schedule effective July 1, 1918, was as follows:

Unloading cars—

Packages weighing 150 pounds or less.....	30 cents per ton
Packages weighing over 150 pounds.....	39 cents per ton

Loading cars—

Packages weighing 150 pounds or less.....	36 cents per ton
Packages weighing over 150 pounds.....	48 cents per ton
Weighing .....	42 cents per ton
Handling commodities into and from warehouse.....	54 cents per ton

Again, on November 18, 1918, applicants presented their second supplemental petition alleging new demands on the part of their employees involving a modification of the then existing wage scale to a basis 25 per cent higher, or \$5 per day of 8 hours, which demands were later modified, under a six months agreement, to an increase of 12½ per cent, or \$4.50 for an 8 hour day. Said second supplemental application sought to again advance rates for loading and unloading cars, weighing and other incidental handling of commodities, to cover the additional outlay necessary to meet the new demands of said employees. After a careful review of the matters involved and due consideration of the testimony and facts, the Commission, on January 14, 1919, issued its Decision No. 6053 declining to authorize the increases requested and denying the petition, partly on the grounds that up to that time the higher rates already authorized had not been given a fair test; and also

“because of the large increase in gross business, the entire year of 1918 will produce a satisfactory and reasonable net profit, even under the higher cost of operation.”

The present proceeding is in the nature of a third supplemental petition, and recites in part that since February 3, 1919, petitioners have been paying to their employees engaged in common warehouse labor \$4.50 per day of 8 hours, and to so-called gang bosses, weighers and checkers \$5 per day of 8 hours; that due to the cessation of war activities transportation facilities have greatly improved, drawing from warehouses their excess stock and reducing the demand for

storage space; that as a result, during the present year petitioners' earnings have steadily declined month by month, whereas their operating costs show no material changes; and that their present earnings are not sufficient to pay the wage increase effective February 3, 1919, and allow a reasonable profit to petitioners. It is further alleged in the application that petitioners are now confronted with a demand from their warehouse employees for an advance of \$1 per day in the existing wage rate of \$4.50 for eight hours work, plus time and a half for overtime, the alternative being a withdrawal of said employees from their present occupation to engage in other lines of employment where higher wages prevail; and that the present revenues of applicants are not sufficient to enable them to pay the increased wages demanded.

To meet the foregoing situation, including increases which, as it is represented, will be necessary in the wages of other employees not directly involved, applicants pray that they be authorized to increase their present rates and charges as follows:

For handling and weighing commodities, 25 per cent.

For special service, 33 $\frac{1}{3}$  per cent.

For storage per month, 5 cents per ton.

For space rental per month,\*  $\frac{1}{4}$  cent per square foot.

Minimum storage charge per item from 15 cents to 20 cents each.

Minimum storage charge per account, 50 cents to \$1 each.

Following the usual press publicity and individual notice to each of petitioners' patrons, a hearing on the supplemental application was held at San Francisco on September 29, 1919, at which time, by stipulation, the testimony and exhibits produced by petitioners were also considered in evidence in the applications of Brannan Street Warehouse et al., Application No. 4962, and Belshaw Warehouse Company, Application No. 4964, which alleged the existence of practically the same conditions with reference to increased operating costs, and whose warehouses are conducted under practically the same conditions, rules, regulations and rates. These applications being original proceedings, however, while that now under consideration is supplemental, a separate order in each instance will issue.

No one appeared at the hearing to oppose the application, except the representative of the storers of a single commodity, no evidence whatever being offered in protest.

In support of their petition, applicants presented a series of eighteen exhibits showing (a) wage increases since the present rates were placed in effect; (b) details and summary of gross revenues, gross expenses and profit or loss for the period January 1, 1919, to July 31, 1919; (c) gross revenues for the twelve month period August 1, 1918, to July 31, 1919; (d) comparison of operating results for the two periods

\*Space rental would also carry an increased minimum charge and reduced space allowance.

January 1, 1919, to July 31, 1919, and January 1, 1918, to September 30, 1918; (c) percentages of increase in various operating costs other than wages, 1912 against 1919; (f) estimate of increased earnings under rates proposed, and increased expenses under proposed wage increase. Exhibit No. 1 shows that wages now demanded by truckers and pilers would involve an increase of 37½ per cent over July 1, 1918, straight time, and 42½ per cent for overtime; and for weighers and checkers 33½ per cent straight time, 34 per cent overtime. Exhibit No. 6 aptly illustrates applicants' contention that while the expenses of operation have remained practically stationary since January, 1919, revenues have steadily declined. Said exhibit, which includes the operations of Associated Terminals Company, The Haslett Warehouse Company and South End Warehouse Company, follows:

Statement showing general decline in public storage and attendant decline in net profits.

Month	Earnings	Expenses	Profits	Losses
1919—January .....	\$72,689 12	\$57,901 12	\$14,788 00	-----
February .....	67,557 78	55,749 67	11,808 11	-----
March .....	62,589 08	56,469 32	6,119 76	-----
April .....	50,892 13	53,070 14	-----	\$2,127 21
May .....	47,487 10	53,032 91	-----	5,545 81
June .....	50,079 24	56,992 59	-----	6,913 35
July .....	57,726 04	66,258 24	-----	8,532 20

The above showing with reference to earnings and expenses for the first seven months of 1919, is emphasized, in so far as earnings are concerned, by applicants' Exhibit No. 7, which covers a period of one year beginning August 1, 1918, and ending July 31, 1919. This exhibit represents 65 per cent of the total warehouse space controlled by all applicants and includes Associated Terminals Company, The Haslett Warehouse Company, San Francisco Warehouse Company and South End Warehouse Company. The total revenue of said companies, by months, is as follows:

1918		
August .....		\$107,196 88
September .....		91,290 60
October .....		93,758 61
November .....		91,574 40
December .....		82,065 24
1919		
January .....		90,010 63
February .....		83,534 60
March .....		80,359 60
April .....		67,884 47
May .....		63,972 37
June .....		66,979 16
July .....		74,955 71

Exhibit No. 8, which also embraces the last named four companies, or 65 per cent of the total warehouse space under applicants' control, shows the following monthly averages for the periods named:

	January 1, 1918, to Sept. 30, 1918	January 1, 1919, to July 31, 1919
Gross earnings .....	\$91,216 10	\$75,683 20
Gross expenses, including depreciation .....	76,038 56	73,167 48
Profit .....	\$15,177 54	\$2,515 72

It will be seen by the above figures that for the periods named the four companies involved experienced a falling off of 17 per cent in their average monthly revenues while their gross monthly expenses declined less than 4 per cent, profits, of course, being reduced accordingly. Exhibit No. 16, being a recapitulation of details shown in Exhibits 2 to 5 inclusive and 9 to 15 inclusive, sets forth total earnings and expenses for each of the eleven applicants, producing grand totals as follows:

Earnings January 1 to July 31, 1919 .....	\$694,567 82
Expenses January 1 to July 31, 1919 .....	670,299 29
Profit .....	\$24,268 53

As heretofore stated, applicants are seeking authority to increase storage rates 5 cents per ton of 40 cubic feet, or 2000 pounds, which ever produces the greater revenue, such increase being approximately 15 per cent higher than present charges. The storage rates to be increased are, with very few exceptions, those authorized by this Commission under its Decision No. 385 dated December 30, 1912, in Applications Nos. 16 to 25, inclusive, et al., and are practically the rates in effect at the time the Public Utilities Act became effective, March 23, 1912. Storers, therefore, have had the benefit of the present schedule of storage rates over a period of approximately seven years.

The testimony in this and the preceding application shows, as already indicated, that labor in 1912 was receiving \$2.50 for nine hours work; in February, 1917, the rate was increased to \$2.75; in July, 1917, to \$3; in May, 1918, to \$4; in June, 1918, to \$4 for eight hours, with 75 cents per hour overtime, making \$4.75 for nine hours; on February 3, 1919, to \$4.50 for eight hours, with 75 cents per hour overtime, making \$5.25 for a nine hour day; the labor costs upon which the proposed rates are based are \$5.50 for eight hours, with overtime at \$1 per hour, or \$6.50 for a nine hour day.

It will thus be seen that labor costs have increased from \$2.50 in 1912 to \$6.50 in 1919, an advance of \$4 per day, or 160 per cent, and



while it is not as important a factor in the storage rates as in the rates for other services, it nevertheless is illustrative of the radical changes which have taken place in operating expenses.

Salaried employees, whose time is devoted largely to handling storage accounts, such as bookkeepers, clerks, stenographers and telephone operators, have received increases since 1912 averaging about 50 per cent.

The greater number of warehousemen in San Francisco conduct their business in leased buildings, and it is shown by the exhibits and testimony that in 1912 warehouse space could be secured at an average of from  $\frac{1}{2}$  to 1 cent per square foot, while today the cost is from 1 cent to 2 cents per square foot; in addition tenants are required to keep buildings in repair and furnish the materials and supplies therefor, such as lumber, nails, roofing, hardware and paints, which commodities have likewise increased from 50 to 200 per cent. Fire insurance and taxes have also materially advanced during the past seven years.

What has been said in justification for advances in storage rates will also apply to the proposed rates for labor, handling and weighing, which applicants seek to increase by 25 per cent. The last increase in the labor, handling and weighing rates was authorized by Decision No. 5514, June 25, 1918, at which time labor was being paid \$4 for eight hours, while the proposed rates are based on a wage of \$5.50 for eight hours, or an increase of  $37\frac{1}{2}$  per cent. Applicants claim that the proposed rates for labor, handling and weighing will not entirely cover the added costs, but that these increases, combined with the increase of 5 cents per ton in the storage rates, are expected to produce sufficient revenue to allow a net profit dependent upon the tonnage handled.

The public utility warehouse business in San Francisco, as heretofore stated, is conducted almost entirely in rented buildings, very few of the companies owning their own property. They are thus required to operate under leases, with the volume of the rent varying, from time to time, according to the demands for the property. Certificates of public convenience and necessity are not required of newly established warehouses, and competitors may enter the field at any time by filing schedules of rates with this Commission. Under the conditions existing, rates for warehouses can not be constructed by the same methods as the rates for other public utilities, such as railroads, gas, electric and water companies. These latter utilities have fixed capital investments upon which the Commission can base its conclusions and, also, under the provisions of the law the Commission has the authority to protect them against competitors entering the field.

No exact figures are obtainable to approximate the increased revenue and increased expenses by reason of the proposed adjustment, but it is

estimated that the new rates will produce much lower net returns under the higher labor costs and limited business than were obtained during the peak of the war pressure at the lower rates and heavy volume of business.

After giving consideration to all of the facts, exhibits and arguments, I am of the opinion that applicants have justified the necessity for an increase in rates and that the application should be granted. I recommend the following form of order:

#### ORDER.

Associated Terminals Company, The Haslett Warehouse Company, The Hutton Warehouse, Peninsula Warehouse, San Francisco Warehouse Company, Seawall United States Bonded Warehouse, South End Warehouse Company, Vallejo Bonded and Free Warehouses, De Pue Warehouse Company, Turner-Whittell Warehouse, Natoma Warehouses, and Lawrence Warehouse Company having made a supplemental application to the Railroad Commission for authority to increase their rates for handling, weighing and storing commodities in their warehouses located at San Francisco, Oakland and Sacramento, a public hearing having been held thereon, the matter having been submitted and being now ready for decision;

*It is hereby found as a fact*, that the present rates charged by said applicants for services indicated are unjust, unreasonable, and non-compensatory, in so far as they differ from the rates hereinafter set forth, which rates are hereby found to be just and reasonable

Basing its order upon the foregoing finding of fact, and upon other facts set forth in the opinion preceding this order;

*It is hereby ordered*, that Associated Terminals Company, The Haslett Warehouse Company, The Hutton Warehouse, Peninsula Warehouse, San Francisco Warehouse Company, Seawall United States Bonded Warehouse, South End Warehouse Company, Vallejo Bonded and Free Warehouses, De Pue Warehouse Company, Turner-Whittell Warehouse, Natoma Warehouses, and Lawrence Warehouse Company be, and they are hereby, authorized to publish and file within twenty days from date hereof, and thereafter collect the following charges for the various classes of service specified:

For handling and weighing commodities at warehouses, 25 per cent above present charges.

For all special service not otherwise specified, \$1 per hour per man.

For storage, 5 cents per ton (40 cubic feet or 2000 pounds, whichever produces the greater revenue), in addition to present charges.

For the rental of space,  $\frac{1}{2}$  cent per square foot per month in addition to the present rates, including modification of square foot space and minimum charges now in effect, as set forth in the application.

Minimum labor charge per lot, 25 cents.

Minimum storage charge for each item of any account, 20 cents per month.

Minimum monthly charge to one account for storage and handling, \$1.

*It is further ordered*, that, in the disposition of fractions, in so far as they affect handling rates, or storage rates covering the various packages with reference to size or weight, applicants be, and they are hereby, authorized to employ methods of computation shown in the application; provided such computations and extensions shall create no undue variations from the percentage of increases herein authorized.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this third day of October, 1919.

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DECISION No. 6747.

IN THE MATTER OF THE APPLICATION OF BRANNAN STREET WAREHOUSE, W. J. BYRNES AND COMPANY, DODD WAREHOUSE AND NORTH POINT DOCK WAREHOUSES, FOR AUTHORITY TO INCREASE CHARGES FOR HANDLING, WEIGHING AND STORING COMMODITIES IN WAREHOUSES AT SAN FRANCISCO, CALIFORNIA.

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Application No. 4962.

Decided October 3, 1919.

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*C. W. Durbrow*, for Applicants.

*Henry P. Dimond*, for California Bean Dealers Association.

DEVLIN, *Commissioner*.

**OPINION.**

Applicants named in this petition operate public warehouses in the city of San Francisco. With the exception of North Point Dock Warehouses, whose rate schedules have been on file since 1912, all are comparatively new public utilities, their initial schedules having been filed with this Commission in 1918 and 1919. Tariffs now in effect by W. J. Byrnes and Company and Dodd Warehouse are identical with schedules of warehousemen named in the third supplemental application of Associated Terminals Company et al., Nos. 3703, 3704, 3711, 3712 and 3736, covered by the Commission's Decision No. 6746 of this date; the Brannan Street Warehouse schedule varies more or less in the matter of storage charges from schedules in effect by Associated Terminals Company et al., and also as to the labor rate for handling flour, while North Point Dock Warehouses have in effect a scale of handling charges generally lower than those of other applicants in this proceeding. However, all are confronted with the same increased operating costs and declining tonnage and all have requested the same percentage of increases in their rates.

This application presents precisely the same conditions as were shown to exist in Supplemental Applications Nos. 3703, etc., by Associated Terminals Company et al.; all were heard together and the facts in each are similar.

I, therefore, recommend that the order in this instance be the same as that in Decision No. 6746, bearing this date.

#### ORDER.

Brannan Street Warehouse, W. J. Byrnes and Company, Dodd Warehouse and North Point Dock Warehouses, having made application to this Commission for authority to increase their rates for handling, weighing and storing commodities, a hearing having been held thereon, the matter having been submitted, and being now ready for decision;

*It is hereby found as a fact*, that the present rates of applicants for said classes of service are unjust, unreasonable and noncompensatory, in so far as they differ from rates set forth herein, which rates are hereby found to be just and reasonable.

Basing its order upon the foregoing finding of facts and upon other facts set forth in the preceding opinion;

*It is hereby ordered*, that Brannan Street Warehouse, W. J. Byrnes and Company, Dodd Warehouse and North Point Dock Warehouses be, and they are hereby, authorized to publish and file within twenty (20) days from date hereof and thereafter collect warehouse charges as indicated in the following schedule:

For handling and weighing commodities at warehouses, 25 per cent above present rates.

For special services not otherwise specified, \$1 per hour per man.

For storage, 5 cents per ton (40 cubic feet or 2000 pounds, whichever produces the greater revenue), in addition to present rates.

For the rental of space,  $\frac{1}{2}$  cent per square foot per month in addition to present rates, including modification of square foot space allowance under said rates and minimum charges now in effect, as set forth in the application.

Minimum labor charge per lot, 25 cents.

Minimum storage charge for each item of any account, 20 cents per month.

Minimum monthly charge to one account for storage and handling, \$1.

*It is further ordered*, that in the disposition of fractions, in so far as they affect handling rates, or storage rates covering various packages with reference to size or weight, applicants be, and they are hereby, authorized to employ methods of computation shown in applications; provided that such computations and extensions shall create no undue variations from percentage of increases herein authorized.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this third day of October, 1919.

## DECISION No. 6748.

IN THE MATTER OF THE APPLICATION OF BELSHAW WAREHOUSE COMPANY FOR AUTHORITY TO INCREASE CHARGES FOR HANDLING, WEIGHING, AND STORING COMMODITIES IN WAREHOUSES AT SAN FRANCISCO, CALIFORNIA.

Application No. 4964.

Decided October 3, 1919.

*G. E. Weaver*, for Applicant.

*Henry P. Dimond*, for California Bean Dealers Association.

DEVLIN, *Commissioner*.

**OPINION.**

Belshaw Warehouse Company, applicant herein, operates a public warehouse at 142-164 Beale street, San Francisco, the same having been operated by another warehouse company prior to September 26, 1918, at which time a new rate schedule was filed carrying certain reduced handling charges to meet the alleged peculiar situation of this warehouse in that the same had no spur track connections at that time. Said schedule of rates is now in effect.

This application is practically identical with that filed on behalf of Brannan Street Warehouse et al., Application No. 4962, and a supplemental petition by Associated Terminals Company et al., Applications No. 3703, etc., except that Belshaw Warehouse Company adds to its prayer a request that it be permitted to adopt so-called Warehouse Tariff No. 4, effective March 1, 1919, as to rules, regulations, package descriptions, storage rates, weighing, loading and unloading rates, as may become effective under said supplemental petition of Associated Terminals Company et al., Application No. 3703, etc. Financial exhibits were presented showing an apparent profit of \$787.17 for the entire period of eleven months during which applicant has operated the warehouse. Said statement took no account of depreciation, interest, or increased wages which applicant in common with other warehouse companies, alleges it will be obliged to meet at once. -

In all other respects this proceeding presents precisely the same situation as that covered by Decision No. 6746 of this date in the supplemental application of Associated Terminals Company et al., Application No. 3703, etc. By stipulation all were heard together, and the facts in each are similar. The increases requested have been fully justified and should be authorized. I recommend the following form of order:

**ORDER.**

Belshaw Warehouse Company having made application to the Railroad Commission for authority to increase rates for handling,

weighing, and storing commodities in its warehouse located at San Francisco, a hearing having been held thereon, the matter having been submitted and now ready for decision;

*It is hereby found as a fact*, that the rates, rules and regulations now in force by the Belshaw Warehouse Company, in so far as they differ from the rates, rules and regulations authorized herein, are unjust, unreasonable and inadequate, and that rates, rules and regulations hereinafter authorized are just and reasonable for the classes of service indicated.

Basing its order upon the foregoing finding of fact, and other facts set forth in the opinion preceding this order;

*It is hereby ordered*, that Belshaw Warehouse Company be, and the same is hereby, authorized to publish and file within twenty days from date hereof and thereafter collect rates and enforce rules and regulations in accordance with the following schedule:

For handling and weighing commodities at warehouses, 25 per cent above present charges.

For all special service not otherwise specified, \$1 per hour per man.

For storage, 5 cents per ton (40 cubic feet or 2000 pounds, whichever produces the greater revenue), in addition to present charges.

For the rental of space, 4 cent per square foot per month in addition to the present rates, including modification of square foot space and minimum charges now in effect, as set forth in the application.

Minimum labor charge per lot, 25 cents.

Minimum storage charge for each item of any account, 20 cents per month.

Minimum monthly charge to one account for storage and handling, \$1.

*It is further ordered*, that, in the disposition of fractions, in so far as they affect handling rates, or storage rates covering the various packages with reference to size and weight, applicant be, and the same is hereby, authorized to employ methods of computation shown in the application; provided such computations and extensions shall create no undue variations from the percentage of increases herein authorized.

*It is further ordered*, that, in the issuance of its tariffs applicant may include general rules and regulations, package descriptions and rates now carried in so-called Warehouse Tariff No. 4, effective March 1, 1919, or as the same may be modified under the Commission's Decision No. 6746 of this date, in supplemental application No. 3703, etc., by Associated Terminals Company et al.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this third day of October, 1919.

## DECISION No. 6749.

IN THE MATTER OF THE APPLICATION OF PORT COSTA WAREHOUSE  
AND DOCK COMPANY FOR AUTHORITY TO INCREASE WARE-  
HOUSE RATES.

## Application No. 4929.

IN THE MATTER OF THE APPLICATION OF CALIFORNIA WHARF  
AND WAREHOUSE COMPANY FOR AUTHORITY TO INCREASE  
WAREHOUSE RATES.

## Application No. 4930.

IN THE MATTER OF THE APPLICATION OF GRANGERS BUSINESS  
ASSOCIATION FOR AUTHORITY TO INCREASE WAREHOUSE  
RATES.

## Application No. 4931.

Decided October 3, 1919.

*Sanborn and Rochl*, by *H. H. Sanborn*, for Applicants.

MARTIN, *Commissioner*.

**OPINION.**

Applicants herein operate public warehouses at Port Costa, properties involved being contiguous to each other and constructed over tide lands on the south side of Carquinez Straits. These warehouses and their supporting wharves were built primarily to meet the demands of the export trade in grain, approximately 90 per cent of all business handled being loaded to deep sea craft for direct shipment to Europe. Since Port Costa is not a logical place for growers to store their grain for long periods, and because of the necessity for applicants to reserve a large amount of space in their warehouses for handling grain directly through to ships, it follows that their gross revenues will be strongly affected by whatever changes are made from time to time in the wages of employees necessary to effect a rapid transfer of cereals from car or river craft to deep sea vessels.

The service performed by applicants being similar if not identical in all particulars, their present charges are likewise identical, and the request for increased rates in each case is the same. For these reasons the applications were heard together, it being stipulated that facts developed by the testimony in a given instance might be deemed as applying to all.

Present rates, rates proposed in the applications and resulting increases are shown in parallel columns in the following table:

## WAREHOUSE CHARGES.

	Rates in cents per ton		
	Present	Proposed	Increase
On grain—			
Weighing and loading into cars.....	25	40	15
Weighing and delivering to ship:			
Direct from car to craft.....	25	40	15
Direct from warehouse.....	20	35	15
From dump (in warehouse or on dock) if loaded within 2 days.....	35	50	15
From cleaner or grader dumps.....	20	35	15
Weighing or repiling option lots.....	25	40	15
On screenings and rejections—			
Weighing rejections without additional service.....	10	15	5
Weighing screenings.....	15	25	10
Weighing and piling screenings out of grader.....	25	40	15
Weighing and loading screenings into cars.....	30	50	20
Tolls—			
Grain delivered from craft to ship at dock, including weighing.....	25	35	10
Additional charge proposed—			
For labor receiving, i.e., handling, trucking, weighing and piling.....		25	25

Applicants base their request upon the showing that subsequent to November 27, 1917, at which time their present rates were established by the Commission in Decision No. 4901, it has been necessary to increase by 60 per cent the wages of all warehouse laborers. Said employees received on November 27, 1917, 50 cents per hour each, which wage was later voluntarily increased to 60 cents per hour and on September 2, 1919, again advanced, under stress of strike conditions, to 80 cents per hour per man. It is asserted by applicants that the imperative need for meeting the demands of labor in this case is attested by the fact that thousands of tons of grain deposited on river banks and in danger of great damage, could not otherwise have been expeditiously handled; it is further alleged that the present rates charged by applicants for the services indicated in the foregoing table "are wholly inadequate by reason of the increased cost of labor."

A hearing on the applications was held in San Francisco on September 19, 1919, at which time oral testimony and certain financial statements were submitted in support thereof. These statements are not uniform as to periods covered, and may not here be usefully quoted in full, but for the latest twelve-months period reported the net operating revenue of each is as follows:

Port Costa Warehouse and Dock Company*.....	\$4,164 31
California Wharf and Warehouse Company†.....	15,700 96
Grangers' Business Association‡.....	25,602 25

\*Calendar year, 1918

†Year ending May 31, 1919.



The above showing does not include depreciation of buildings and equipment nor interest on investment, except as to Port Costa Warehouse and Dock Company, against which an arbitrary depreciation charge of \$5,000 is written; and, as may be seen, covers a period antedating the principal increase in wages.

California Wharf and Warehouse Company estimates that the latest advance in wages will increase its annual pay roll by \$27,000, and that other increases necessary in the office pay roll will add another \$1,500: this company, if normal conditions prevail, would expect, under increased rates requested, additional revenue amounting to \$25,000 or \$30,000. Port Costa Warehouse and Dock Company estimates that its entire expense for the present season will be increased 40 per cent, or about \$27,000, while estimated additional revenue which the proposed increases would produce for the same period is placed at \$25,000. Grangers Business Association produced no figures to show its increased operating expenses under the new wage scale, but its probable additional revenue was estimated by its principal witness to be not more than \$30,000. In other words, it is claimed by applicants, and the testimony supported such claim, that the purpose of the present proceeding is to preserve, as nearly as possible, the 1918 status of these companies, by protecting their revenues to a point that will insure continued good service.

There was no one present at the hearing to oppose granting the application, notwithstanding the usual publicity and a showing by the testimony that the matter had been laid before the commercial bodies of San Francisco, where 90 per cent of applicants' patrons are engaged in business.

From the testimony presented at the hearing, and from all the facts surrounding the peculiar warehouse service necessary to meet operating requirements at applicants' warehouses at Port Costa, I am of the opinion that the proposed increases have been justified and should be authorized. I recommend the following form of order:

#### ORDER.

Port Costa Warehouse and Dock Company, California Wharf and Warehouse Company, and Grangers' Business Association, each having applied to this Commission for authority to increase warehouse charges as per Exhibit "A" accompanying the applications, a hearing having been held thereon, the matter having been submitted and being now ready for decision;

*It is hereby found as a fact,* that the present rates of applicants in so far as they conflict with rates set forth herein are unjust, unreasonable and noncompensatory, and that rates fixed herein are just and reasonable charges for the services indicated.

Basing its order upon the foregoing finding of fact and upon other facts contained in the opinion preceding this order;

*It is hereby ordered*, that Port Costa Warehouse and Dock Company, California Wharf and Warehouse Company, Grangers' Business Association be and they are hereby authorized to publish and file within twenty (20) days from date hereof and thereafter collect, for the services indicated, the following rates, applicable at Port Costa:

**WAREHOUSE CHARGES.**

	Per ton (cents)
<b>On grain—</b>	
Weighing and loading into cars.....	40
Weighing and delivering to ship:	
Direct from car to craft.....	40
Direct from warehouse.....	35
From dump (in warehouse or on dock), if loaded within 2 days.....	50
From cleaner or grader dumps.....	35
Weighing or repiling option lots.....	40
<b>On screenings and rejections—</b>	
Weighing rejections without additional service.....	15
Weighing screenings.....	25
Weighing and piling screenings ex grader.....	40
Weighing and loading screenings into cars.....	50
<b>Tolls—</b>	
Grain—Weighing and delivering from craft to ship at dock.....	35
Additional handling charge*—	
Receiving, i.e., handling, trucking, weighing and piling.....	25

\*Applicable only on commodities received for storage.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this third day of October, 1919.

**DECISION No. 6752.**

IN THE MATTER OF THE APPLICATION OF EAST SAN PEDRO WAREHOUSE COMPANY, FOR PERMISSION TO ISSUE ITS CAPITAL STOCK.

Application No. 4908.

Decided October 9, 1919.

*Goodspeed and Pendell*, by *Richard C. Goodspeed*, for Applicant.

**LOVELAND**, Commissioner.

**OPINION.**

East San Pedro Warehouse Company asks permission to issue \$10,000 of its common capital stock.

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East San Pedro Warehouse Company was organized in April, 1919, with an authorized stock issue of \$10,000, divided into 100 shares of the par value of \$100 each. It has arranged to lease from Nielson and Kittle Canning Company, floor space in a brick building located at 205 Fish Harbor Wharf. Applicant reports that the building is centrally situated, is well suited to warehouse purposes and that there is no other warehouse, nor are there any other storage facilities at Fish Harbor district, occupied almost entirely by canning companies. At present the products of the canneries, if stored, must be carried to San Pedro to what is known as the Pacific slip, or to Long Beach and Los Angeles warehouses.

The building in which applicant intends to lease floor space is situated on a siding of the Los Angeles and Salt Lake Railroad Company and is provided with an ample loading platform and a 2-ton electric elevator.

The Nielson and Kittle Canning Company will purchase all of the stock issued by applicant at par. The Canning Company does not desire to do a warehouse business. Its officers are of the opinion that the only practical way it can give storage facilities to other canneries is through the organization of a separate corporation, and they have therefore caused to be organized the East San Pedro Warehouse Company.

From the testimony herein, it appears that applicant can establish its business through an expenditure of not exceeding \$5,000. An order authorizing the sale of all of applicant's stock, \$10,000, does not seem to be necessary at this time. If, because of the growth of applicant's business, the sale of additional stock becomes necessary, the matter can readily be taken care of by a supplemental order or orders in this proceeding.

I herewith submit the following form of order:

#### ORDER.

East San Pedro Warehouse Company having applied to the Railroad Commission for permission to issue stock, a public hearing having been held, and the Railroad Commission being of the opinion that this application should be granted, subject to the conditions of this order;

*It is hereby ordered*, that East San Pedro Warehouse Company be, and it is hereby, authorized to issue at not less than par, on or before June 30, 1920, \$10,000 of its common capital stock, upon the following conditions and for the following purposes:

1. Of the stock herein authorized, \$5,000 may be sold forthwith for the purpose of obtaining the necessary materials and supplies and working capital to establish applicant's warehouse business referred to in the petition herein.

2. The remaining \$5,000 of stock shall be sold only after the Commission has made a supplemental order or orders authorizing the sale thereof, and the proceeds obtained from such sale expended only for such purposes as the Railroad Commission may authorize.

3. East San Pedro Warehouse Company shall keep such record of the issue and sale of the stock herein authorized and of the disposition of the proceeds, as will enable it to file on or before the twenty-fifth day of each month a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this ninth day of October, 1919.

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DECISION No. 6753.

IN THE MATTER OF THE APPLICATION OF PRODUCERS WAREHOUSE, INCORPORATED, A CORPORATION, FOR AN ORDER AUTHORIZING THE ISSUANCE OF STOCK OF THE PAR VALUE OF TWENTY THOUSAND DOLLARS.

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Application No. 4791.

Decided October 9, 1919.

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**JURISDICTION—WAREHOUSES.**—Warehouses owned and operated by canneries for the principal purpose of storing goods owned by such canneries, but which have generally made a practice of receiving and storing goods for others, are public utility warehouses subject to the jurisdiction of this Commission.

*Chickering and Gregory*, by *W. C. Fox*, for Applicant.

*LOVELAND*, Commissioner.

**OPINION.**

Producers Warehouse, Incorporated, asks permission to issue \$20,000 par value of its common capital stock.

From the record herein it appears that California Co-operative Canneries owns canning plants at San Jose. In connection with these plants it has been operating four warehouses. The total investment of the canneries including the warehouses is reported as being in excess of \$300,000. In order to issue valid warehouse receipts it has been found advisable to transfer the warehouse business of the canneries to a separate corporation. To effect this end, California Co-operative Canneries has caused to be organized the Producers Warehouse, Incorporated, the corporation having an authorized capital stock of \$50,000,

divided into 500 shares of the par value of \$100 each. The Canneries has leased to the warehouse corporation its warehouses at an annual rental of \$100 per month.

Applicant intends to issue forthwith \$11,000 of its common capital stock. All of the stock will be acquired by the California Co-operative Canneries, approximately \$6,000 in exchange for warehouse tools and equipment and \$5,000 for cash to supply the warehouse corporation with necessary working capital. The testimony shows that the Canneries will retain the ownership of all of the stock issued by the Producers Warehouse, Incorporated, except shares necessary to qualify directors.

Of the \$20,000 of stock applied for, applicant intends to issue the remaining \$9,000 from time to time as authorized by the Commission in a supplemental order or orders in this proceeding.

Counsel for applicant takes the position that Producers Warehouse, Incorporated, is not a public utility subject to the jurisdiction of the Railroad Commission. After having considered the argument, as well as the testimony, which shows that it is a common practice to store, in warehouses connected with canneries, goods for persons other than that of the canneries owning the warehouse facilities, and that the same practice will be indulged in by applicant, I have reached the conclusion that this Commission has jurisdiction over the affairs of Producers Warehouse, Incorporated, and that the corporation is a public utility.

I herewith submit the following form of order:

#### ORDER.

Producers Warehouse, Incorporated, having applied to the Railroad Commission for permission to issue stock, a public hearing having been held, and the Railroad Commission being of the opinion that this application should be granted, subject to the conditions of this order;

*It is hereby ordered*, that Producers Warehouse, Incorporated, be, and it is hereby, authorized to issue, at not less than par, on or before June 30, 1920, \$20,000 par value of its common capital stock, upon the following conditions and for the following purposes:

1. Of the stock herein authorized to be issued, approximately \$6,000 may be issued for the purpose of acquiring from California Co-operative Canneries, the warehouse tools and equipment referred to in applicant's Exhibit "1," and approximately \$5,000 may be issued to California Co-operative Canneries for cash to obtain necessary working capital.
2. The remaining \$9,000 of capital stock shall be issued only for such purposes as the Railroad Commission may hereafter authorize in a supplemental order or orders.
3. Producers Warehouse, Incorporated, shall keep such record of the issue and sale of the stock herein authorized and of the disposition of

the proceeds, as will enable it to file on or before the twenty-fifth day of each month a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this ninth day of October, 1919.

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DECISION No. 6755.

IN THE MATTER OF THE APPLICATION OF EAST BAY WATER COMPANY TO ADJUST AND FIX WATER RATES.

Application No. 4841.

IN THE MATTER OF THE COMMISSION'S INVESTIGATION INTO THE RATES, RULES AND REGULATIONS OF PEOPLES WATER COMPANY. (IN RE PROTESTS OF CERTAIN EAST BAY CITIES AGAINST THE REIMPOSITION OF CHARGES FOR MUNICIPAL SERVICE.)

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Case No. 1008.

Decided October 11, 1919.

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**RATES, WATER—MUNICIPAL SERVICE—CHARGES FOR.**—A municipality which requires a water utility to install and maintain services for fire fighting, sewer flushing and kindred purposes, and benefits thereby, should be required to pay directly the costs thereof and not expect to transfer such burden to other consumers of the utility. The contention of the municipalities that they are unable to pay for such service also can not be considered, as all consumers of a utility would have like grounds for protesting a reasonable rate for the service they receive.

**WATER SUPPLY—RESERVES.**—It is held that a water utility should not draw entirely on its storage supply or operate its pumps continuously for its daily requirements, but to draw from either of such sources as will assure a continuous and sufficient supply for the needs of its consumers at the least operating cost.

Conditions warranting an increase of approximately 10 per cent in gross revenue of applicant in addition to increase in municipal rate, a revised schedule of rates is established accordingly, to become effective for meter readings and bills rendered subsequent to September 30, 1919.

*W. E. Creed*, for Applicant.

*Leon E. Gray*, for city of Oakland.

*Frank V. Cornish*, for city of Berkeley.

*W. J. Locke*, for city of Alameda.

*Harris P. Jones*, for city of San Leandro.

*T. C. Judkins*, for city of Emeryville.

*D. J. Hall*, for city of Richmond.

*EDGERTON*, Commissioner.

**OPINION.**

This proceeding involves the rates and charges of the East Bay Water Company to residents of the communities on the east side of

San Francisco Bay, in their relation to the increased costs of operation, the necessary increased capital investment and the proper allocation of the gross annual charges among the various classes of consumers.

By its Decision No. 5534, *In the matter of the Commission's investigation into the rates, rules and regulations of Peoples Water Company* (Case No. 1008), decided July 1, 1918, the Commission established certain rates to be charged by East Bay Water Company, successor to Peoples Water Company. This decision established certain basic annual charges to be paid for municipal service by the various East Bay cities and a rate schedule to be charged for other classes of service. This schedule increased the charges for water to be paid by municipalities for water used by them for fire fighting, street sprinkling and other purposes.

On receiving notice of this increase of rates the various municipalities made a showing to the Commission that their tax budgets had already been made up and it would be impossible to provide on such short notice for money to meet these increased charges.

The Commission thereupon made a supplemental order (Decision No. 5684) dated August 13, 1918, continuing in effect the old rates to municipalities for the fiscal year, and allocating to consumers other than the municipalities the amount which would have been collected from the cities, had they the ability to pay. The Commission clearly stated in this supplemental order its purpose to reimpose the charges for municipal service at the earliest practicable moment, at which time it would also readjust the rates of other consumers, lightening their burden by the added amount derived from the cities.

On June 19, 1919, this Commission notified the various municipalities of its intention to so do, whereupon protest was made by some of the cities affected, praying that further hearing be granted.

On August 8, 1919, the East Bay Water Company filed application (Application No. 4841), alleging that it was necessary and just that increased revenue be contributed by consumers because of the increase in the cost of operating its water system, and its increased financial needs, and in addition it requested that the charges of which the municipalities had been relieved be reimposed.

Thereupon the above entitled matters were consolidated for hearing and decision upon all of the matters involved, further investigations made, data presented and evidence submitted, and are now ready for decision.

It was urged by representatives of the East Bay cities that the increased charges for municipal service be not reimposed and that the amount which would be produced by these increased charges be added

to the gross charges assessed against domestic and industrial consumers, thus increasing the rates paid by them.

The principal objections made against the reimposition of these charges are that the service rendered is not reasonably worth the charges proposed, that it is improper to impose upon the general taxpayer the entire burden of the cost of fire service, street sprinkling and sewer flushing service, etc., and that the municipalities are financially unable to bear these increased charges.

Admittedly it is difficult to equitably distribute the expense of maintaining and operating a system such as this among the various consumers in proportion to the benefits derived by each. An exact allocation of the cost to the company of rendering a service such as is rendered to the cities is impossible. The amount of water used is not a proper measure, because the demand for fire purposes is wholly unexpected and the company must stand ready to deliver a large quantity of water within a short period at any point where the fire may occur. This has been designated a "readiness to serve" or "stand-by" service. The utility is rendering a valuable service to the municipality and its taxpayers which requires an investment and operating expense largely in excess of what would be required if domestic and industrial consumers only were served.

Reports and evidence submitted at the hearing show that the charges heretofore established by this Commission are not in excess of what the service is reasonably worth and that in justice this burden should be borne by the municipalities and not by the other consumers. It is clear that a service of water for the extinguishment of fires in a community and for sewer flushing and other municipal uses is for the benefit of the community as a whole and that the expense of this service is most equitably spread when borne by the taxpayers. Further, this Commission surely can not refrain from assessing proper charges for public utility service merely because a consumer insists that it is inconvenient or difficult to pay. If this objection be given weight when advanced by the East Bay cities, then the same objection coming from private consumers would necessarily be persuasive. Manifestly it would be impossible to fix rates upon any sound basis if consideration be given to the contention that certain consumers found the charge established inconvenient or difficult of payment.

Obviously these charges should be borne by the municipalities, and I recommend that the position heretofore taken by this Commission be maintained and that the charges heretofore ordered assessed against the cities be reimposed.



This leaves for consideration the application of the East Bay Water Company for an increase of revenue with the resultant increased rates.

The water company bases its application for an increase of revenue upon the grounds that its financial needs require an increased interest return and that the operating expenses have so increased that the sum included in the annual charges heretofore established is insufficient.

This Commission in its Decision No. 5534, in Case No. 1008, *supra*, issued July 1, 1918, determined that \$2,000,000 was the gross income which this company was entitled to receive from its consumers, and of this \$976,361 was the net earning to be used for the payment of bond interest, dividends and additions to surplus.

Applicant reports \$11,539,900 of bonds authenticated by the trustee. In addition it reports that because of expenditures actually incurred or to be incurred prior to July 1, 1920, it will be obliged to call upon the trustee to authenticate additional bonds in the sum of \$1,586,700, making a total of \$13,126,620. Applicant urges that it should be allowed an annual interest return of \$1,082,946 in order that its bonds might be advantageously marketed. If such a return is allowed, applicant reports that it will use the \$1,082,946 for the following purposes:

To pay interest on outstanding bonds and notes-----	\$674,005 00
To pay dividend on Class "A" 6 per cent preferred stock-----	308,848 00
To surplus -----	100,005 00
Total -----	\$1,082,946 00

Applicant does not ask for a return which would enable it to pay dividends on either its Class "B" 6 per cent preferred or on its common stock.

It is very important to provide a sufficient revenue to put the company's credit upon a sound basis so that it may obtain money at reasonable rates, thus preventing a heavier burden being placed upon the consumers. The production of this revenue, however, to care for the financial needs of this company, should not place an unreasonable burden upon its consumers nor should it be in excess of a reasonable return upon the value of the utility's property.

In order to determine whether or not the interest return, based upon the financial needs of this company, provides interest for a sum in excess of a fair rate base, analyses of the appraisements and data relating to the value of these properties submitted in prior proceedings before this Commission, were made by the water company, R. W. Hawley for the East Bay cities, and Lewis A. Hicks for the city of Berkeley. The following tabulation shows these rate bases, and interest

computed at 8 per cent, with expenditures for San Pablo project included and also excluded:

Submitted by—	Rate base		Interest at 8 per cent on rate base	
	Including San Pablo	Excluding San Pablo	Including San Pablo	Excluding San Pablo
East Bay Water Company.....	\$17,747,756	\$13,951,507	\$1,419,820	\$1,116,121
R. W. Hawley.....	16,345,907	12,549,656	1,307,672	1,003,972
Lewis A. Hicks.....	12,000,000	9,832,292	960,000	786,583
Hawley (undepreciated)* .....	18,961,555	15,165,304	1,517,000	1,212,000
Hicks (undepreciated)* .....	14,615,648	12,447,940	1,170,000	998,000
Interest to meet financial needs as claimed by applicant.....			1,082,946	

\*Accrued depreciation of \$2,615,648 added to base submitted.

Messrs. Hawley and Hicks have used as the basis of their reports the sum of \$14,100,000 which this Commission found as the fair depreciated value of the properties for the purpose of reorganization in its Decision No. 2586, *In the matter of the application of Peoples Water Company for reorganization*, Application No. 1531 (Vol. 7, page 597, Opinions and Orders of the Railroad Commission of California). Attention is directed to the fact that this Commission in the above-mentioned proceeding found the then depreciated value of the plant, and that the replacement fund included in the rate base in Case No. 1008, *supra*, was computed by the sinking fund method. If Mr. Hawley's or Mr. Hicks' rate base is to be used, either the sum of \$201,199, which is the replacement fund computed by the straight line method of depreciation, should be included in the rate base instead of the sinking fund annuity of \$80,000 which was included, or there should be added to the rate bases submitted accrued depreciation in amount equal to \$2,615,648. In order to make the rate bases submitted comparable, this latter sum has been added in the foregoing tabulation to the bases submitted by Messrs. Hawley and Hicks. It appears that Mr. Hicks has omitted a number of items of additions and betterments which would very materially increase the rate base submitted by him.

All of the rate bases submitted, including that submitted by applicant as a test rate base, exclude not only those properties which are clearly not used and useful, but also exclude lands within the watershed areas. Although the Commission found in its decision that filtration is a better method of protecting the water supply of the East Bay communities than ownership of watershed lands, and that the consumers should not be burdened with the investment which would be necessary if all watershed areas were owned by the utility, it appears that at the time of the

acquisition of these lands by the predecessor in interest of this company, that the governments of the various East Bay municipalities urged upon the utility the purchase of these watershed lands. In view of these circumstances a forced immediate sale might work undue hardship upon the utility, and it is doubtful whether or not their value could be legally excluded from a rate base.

Representatives of the East Bay cities contend that expenditures for the construction of San Pablo Reservoir should not be included in a rate base at this time. A careful analysis of all of the facts submitted shows that undoubtedly San Pablo Reservoir is of use to the present consumers. However, it is unnecessary to determine the extent of the value of this use for this proceeding. Other elements of value which have been consistently claimed by the utility in all its proceedings before this Commission are not included in the above rate bases.

While not passing at this time upon the value of this company's property, nor a proper interest return, I desire to point out that the smallest rate base submitted, if corrected, would produce an interest return at least equal to the amount which applicant claims is necessary to meet its financial needs. It therefore appears fair to include an interest allowance of \$1,082,946 in the annual charges.

The following tabulation has been compiled from the data and evidence submitted at the hearing of estimated operating expenses for the year July 1, 1919, to July 1, 1920. It also shows the actual expenditures for the first seven months of 1919:

Comparison of Operating Expenditures as Submitted at Hearnig of Case No. 1008, Application No. 4841.

	East Bay Water Co.	Hawley for City of Oakland	Commission Engineers	Actual ex- penditures 7 months. 1919
Pumping -----	\$493,020	\$187,626	\$492,134	\$304,558
Distribution -----	107,616	92,500	107,616	58,375
Commercial -----	128,624	121,000	128,624	68,798
General -----	187,290	213,500	187,290	94,827
Taxes -----	266,504	222,275	266,504	126,000
	\$1,183,054	\$836,901	\$1,182,166	\$652,558

Only two items of operating expenditures of material moment as submitted by applicant were attacked. These are pumping expenses and taxes. Much difference of opinion existed as to the advisability of the water company's continuing the pumps in operation as at present. Mr. R. W. Hawley, engineer for the East Bay cities, contended that the draft upon underground sources of supply should be discontinued, which would eliminate in large part the operation of the pump plants

and materially reduce expenses. His plan of operation is to draw from the impounded waters of San Pablo and San Leandro reservoirs the necessary amount to meet all of the demands of the consumers and discontinue pumping until such time as the impounded supply is exhausted. He estimates that by this method there would be a reduction in operating expenses of some \$300,000 during the year July 1, 1919, to July 1, 1920. The assumption upon which his plan is based is that in all probability there will be sufficient rainfall during the coming rainy season to replenish the impounded supply. If this does not occur, it would mean, as stated by Mr. Hawley, that the underground sources of supply would be drawn upon to the capacity of the present available equipment and it would be necessary to restrict water consumption in the East Bay cities, owing to the fact that the present available underground supply and transmission facilities are insufficient to deliver to the consumers the amount consumed by them. In other words, Mr. Hawley contends that the underground supply should be used as a reserve instead of the impounded surface waters.

Mr. Wilhelm, for the East Bay Water Company, pointed out that it would be impossible to operate the plant by the method set up by Mr. Hawley, due to the fact that with the present transmission and distribution facilities sufficient water can not be delivered to certain districts. Among these are Alameda and Richmond.

I agree with Mr. Hawley that both the underground and impounded surface supplies should be considered as an available reserve. However, neither of these supplies should be so depleted that it would be necessary to restrict water use if it can be avoided.

After having carefully considered all of the plans of operation submitted, I am of the opinion that in view of the fact that the entire industrial activity of the East Bay cities and the welfare of a population of some 400,000 are dependent upon this water supply, it would be inadvisable for the East Bay Water Company to operate its system in any other manner than one which gives absolute assurance of sufficient water. I recommend that it be permitted to continue the operation of its pumps as heretofore and be required to submit a statement to this Commission each month showing the quantity of available impounded water, the draft upon sources of supply, and consumption.

The other main element of difference between Mr. Hawley's estimate and that submitted by the company, is taxes. Mr. Hawley segregates taxes as to operative and nonoperative property, and arrives at the sum of \$222,275 as the proper sum to be included in the annual charges. Mr. Creed, for applicant, contends that if this be done there should be excluded from the gross revenue of the company some \$52,000 which it

receives as nonoperative revenue. Mr. Hawley eliminates from taxes approximately \$44,000. These two items, therefore, approximately balance, and by including in revenue the amount produced by non-operative properties, no injury will be worked either the utility or the consumers. Adding the above discussed items to Mr. Hawley's estimate so increases it that it is in excess of the amount claimed by the utility. It is therefore recommended that the sum of \$1,182,166 be included in the rate base for operating expenses.

It is estimated that the present rate schedule will produce a gross revenue of approximately \$2,000,000 for the year July 1, 1919, to July 1, 1920, which is less than the annual charges set out above by some \$350,000. The rates for municipal or public use service established herein will yield approximately \$130,000 in addition to the amount heretofore received for this service, leaving a remainder of approximately \$220,000 to be produced by increased rates, which is 10 per cent of the gross revenue.

I am convinced from the showing made that it is necessary to at least temporarily increase the revenue of the East Bay Water Company, and that such increase should be made by imposing a percentage surcharge on all rates.

I submit herewith the following form of order:

#### ORDER.

Application having been made to this Commission by East Bay Water Company for authority to increase its rates, and the cities of San Leandro, Richmond, Berkeley, Alameda and Oakland having protested against the reimposition of the charges for municipal service heretofore established in Decision No. 5534 in Case No. 1008, and a public hearing having been held and the Commission being fully apprised in the premises;

*It is hereby found as a fact*, by the Railroad Commission of the State of California, that the existing rates of East Bay Water Company, in so far as they differ from the rates hereinafter set out, are unjust and unreasonable, and that the rates herein established are just and reasonable rates to be charged its consumers for the service of water by said company, and basing its order upon the foregoing finding of fact and upon the further statements of fact contained in the opinion preceding this order;

*It is hereby ordered*, that East Bay Water Company be and it is hereby authorized to establish the following rate schedule effective for all meter readings and bills rendered subsequent to September 30, 1919, and file same with this Commission within twenty (20) days of the date of this order:

## PUBLIC USE CHARGE.

Basic charge annually as of the year 1917—

Alameda -----	\$22,000 00
Albany -----	1,000 00
Berkeley -----	43,000 00
Emeryville -----	2,000 00
Oakland -----	105,500 00
Piedmont -----	5,000 00
Richmond -----	11,000 00
San Leandro -----	2,500 00
El Cerrito -----	308 00

Adjustment to be made in fixing the charge hereafter assessed by measure of net changes in the inventory of company pipe lines and hydrants from that of January 1, 1917, as follows:

For fire hydrants owned by municipalities—

4-inch hydrants -----	\$3 00 per annum
6-inch hydrants -----	5 00 per annum

For fire hydrants owned by East Bay Water Company—

4-inch hydrants -----	8 00 per annum
6-inch hydrants -----	10 00 per annum

Per 1000 feet of street piped with—

12-inch diameter or larger -----	50 00 per annum
6-inch to 12-inch diameter -----	30 00 per annum
4-inch to 6-inch diameter -----	10 00 per annum

Payments to be made for this service monthly; the monthly bill to be one-twelfth of the annual charge.

Cities and towns incorporated subsequent to January 1, 1917—

The charge to be determined by the number of feet of pipe and the number of hydrants within the incorporated district by applying the above charges.

Unincorporated districts—

4-inch hydrants -----	\$36 00 per annum
6-inch hydrants -----	48 00 per annum

Municipal use for street sprinkling and sewer flushing—

Bills to be rendered at general use rates, except no service charge.

All water used for this purpose to be considered as taken from one service, although taken from various hydrants.

Metered services for municipalities—

At same rates as general use.

Note—Bills to be rendered monthly for all municipal service at the rate of one-twelfth of the annual charge.

## GENERAL USE CHARGES MONTHLY.

Service charge for each meter in use:

¾-inch meter -----	\$0 50 per month
1-inch meter -----	1 00 per month
1 ½-inch meter -----	1 50 per month
2-inch meter -----	2 50 per month
3-inch meter -----	4 50 per month
4-inch meter -----	8 00 per month
6-inch meter -----	12 50 per month
8-inch meter -----	25 00 per month

Unit price for water used up to 50,000 cubic feet, 23 cents per 100 cubic feet.

For water used above 50,000 cubic feet, 19 cents per 100 cubic feet.

## UNMETERED SERVICE AND PRIVATE FIRE TAPS.

1½-inch service	-----	\$1 50 per month
2 -inch service	-----	3 00 per month
3 -inch service	-----	6 00 per month
4 -inch service	-----	9 00 per month
5 -inch service	-----	12 00 per month
6 -inch service	-----	18 00 per month
8 -inch service	-----	30 00 per month
12 -inch service	-----	50 00 per month
16 -inch service	-----	100 00 per month

## SURCHARGE.

A surcharge of 10 per cent to be added to all tolls and charges as computed from the preceding rate schedule.

*It is hereby further ordered*, that the above established surcharge remain in effect until the further order of this Commission.

*It is hereby further ordered*, that East Bay Water Company file with this Commission each month a statement setting out in detail its gross revenue, operating expenses, draft upon sources of supply, water supply in its impounding reservoirs, pumping operations, bonds authenticated or issued, and details of expenditures for which bonds are issued.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this eleventh day of October, 1919.

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 DECISION No. 6756.

IN THE MATTER OF THE APPLICATION OF THE DIRECTOR GENERAL OF RAILROADS OPERATING ATCHISON, TOPEKA AND SANTA FE RAILWAY FOR PERMISSION TO DISCONTINUE THE HANDLING OF LESS-THAN-CARLOAD FREIGHT AT WOODLAKE STATION, IN THE COUNTY OF TULARE, STATE OF CALIFORNIA.

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 Application No. 4991.

 Decided October 17, 1919.
 

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BY THE COMMISSION.

## OPINION.

This is an application filed by the Director General of Railroads, United States Railroad Administration, operating the Atchison, Topeka and Santa Fe Railway, for authority to discontinue the forwarding and the delivering of less-than-carload freight at Woodlake Station, for the reason that said station furnishes practically no less-than-carload freight

to the Atchison, Topeka and Santa Fe Railway. The receipts for the entire twelve months' period ending June 30, 1919, including the division from foreign line through traffic, was less than \$100.

Woodlake is located on the Minkler Southern Branch, 2.2 miles from Redbanks and 6 miles from Exeter. The station is also served by the Visalia Electric Railway, which company maintains an agent at that point.

From a check of the situation, it appears to the Commission that the public now forwarding or receiving freight at the Woodlake Station of the Santa Fe would not be inconvenienced if the very small volume of less-than-carload traffic were handled either through Redbanks, 2.2 miles distant, a nonagency station of the Santa Fe; Exeter, 6 miles distant, an agency station of the Santa Fe, or the Woodlake Station on the Visalia Electric Railway.

The volume of business, amounting to less than 30 cents per day, is insignificant, and in view of the fact that the service can be rendered by the competing carrier or at the other stations of this applicant, the Commission is of the opinion that the application should be granted and also that this is a proceeding in which a public hearing is unnecessary.

The following form of order is submitted:

#### **ORDER.**

The Director General of Railroads, United States Railroad Administration, operating the Atchison, Topeka and Santa Fe Railway, having made application to this Commission under the provisions of General Order No. 36 for permission to discontinue receiving and delivering less-than-carload freight at Woodlake Station, located on the Minkler Southern Branch, and the Commission being fully advised in the premises and being of the opinion that this is not a matter in which a public hearing is necessary;

*It is hereby ordered*, that this application be and the same is hereby granted, and that this order will become effective as of November 20, 1919.

Dated at San Francisco, California, this seventeenth day of October, 1919.



## DECISION NO. 6757.

THE CITY OF MANTECA, SAN JOAQUIN COUNTY, CALIFORNIA. A  
MUNICIPAL CORPORATION.*vs.*

SOUTHERN PACIFIC COMPANY.

Case No. 1347.

Decided October 18, 1919.

GRADE CROSSINGS—ESTABLISHMENT OF—NECESSITY FOR MUST OFFSET DANGER OF.—In determining the necessity for the establishment of a crossing at grade the public convenience to be served must be weighed with the element of danger involved thereby. In the present instance the crossing proposed would be extremely dangerous due to the present elevation and spacing of trackage, which hazard is not offset by the public necessity for such construction. Complaint dismissed.

*J. R. Scott and E. F. Goodrum, for city of Manteca.*

*Frank B. Austin and J. B. Dawson, for United States Railroad Administration.  
Southern Pacific Company.*

*MARTIN, Commissioner.*

## OPINION.

In this proceeding the city of Manteca asks that the Southern Pacific Company be required to construct and maintain a suitable crossing over and across its tracks at Vine street in said city. Although the proceeding was initiated in the form of a complaint, it is to all intents and purposes a formal application, and it was so considered at the hearing.

Vine street runs north and south through that portion of Manteca lying northeast of the Southern Pacific tracks. North of Yosemite avenue it is known as Maple avenue. Southwest of the railroad Vine street extends southwest for only two short blocks, although it is platted on the city map to South street, two blocks more to the south.

There are at present in Manteca two grade crossings over the Southern Pacific Company's tracks, one at Yosemite avenue, about nine hundred twenty feet northwest of Vine street, and one at Hogan road, about five hundred eight feet southeast of the crossing applied for, making a distance of about fourteen hundred sixty feet between crossings. Yosemite avenue is oiled macadam, while Vine street and Hogan road south of Yosemite avenue, are dirt roads.

The main business district of Manteca is located on Yosemite avenue (running east and west) between Hogan road and the Yosemite avenue crossing and on that portion of Vine street—a block in extent—between the railroad right of way on the south and Yosemite avenue on the north. The post office is in this block of Vine street. Southwest of the railroad and between the two existing crossings are the cannery, a lumber yard,

a hotel, the city water works, and several dwellings. The lumber yard adjoins Hogan road. The water works and cannery and a few dwellings are adjacent or close by the proposed Vine street crossing. At present the cannery and the water works are served by using Oak street, a dirt road connecting Hogan road with Willow street near the Yosemite avenue crossing.

The right of way of the Southern Pacific Company at Vine street is one hundred fifty feet in width. It runs through Manteca in a north-westerly and southeasterly direction and contains the main line track, a passing track, an industrial spur, three team tracks or sidings and, in addition, just north of the right of way, a track of the Tidewater Southern Railroad, making a total of seven tracks. At the request of the city, the Tidewater Southern was included in the proceeding.

Adjacent to Vine street, and the right of way north of the tracks, are lumber warehouses and sheds. The cannery occupies a similar position on the southwest corner of the proposed crossing.

The city bases its desire for a crossing at Vine street on three general grounds: First, that it is needed to give convenient access to the cannery, water works and dwellings southwest of the tracks and to the post office, north of the tracks; second, that it will give a quick outlet to the fire department, which is kept entirely on the northeast side of the railroad, to that portion of town southwest of the tracks; and, third, that it will relieve the congestion of traffic on Yosemite avenue and Hogan road, which are frequently blocked by trains, and often for considerable periods of time. That public opinion is back of this desire for a crossing is substantiated by the fact that petitions containing the names of many citizens were presented at the hearing.

The Southern Pacific Company opposes the opening of the crossing, alleging that it is extremely hazardous to street traffic. The company also claims that there would be a greater blockade of traffic at the Vine street crossing than now results at Yosemite and Hogan road crossings. Furthermore, the opening of Vine street would so divide the railroad yard as to hamper the proper operation of the company's facilities. The company asserts that Manteca is sufficiently served by the two existing crossings, about fourteen hundred fifty feet apart.

To consider the Southern Pacific Company's objections first, it is apparent that any crossing over several tracks would be dangerous, even with the most efficient means of protection, and that it would be more than usually dangerous here, where buildings occupy three corners of the crossing; where five of the tracks will frequently have cars standing on them, where it is impossible to protect more than two of the seven tracks with an automatic flagman, and where the tracks are so

spaced that two are on one side of the right of way, one on the other side and four to one side of the center. This is especially so since train movements over these tracks are rather extensive. These consist of four passenger and two regular freight trains each way daily. There are also several extra freight trains each way daily and considerable local switching. If the crossing is opened, it is clear that with but five hundred feet between it and Hogan road, that both of these crossings would usually be blocked at the same time, while freight trains were in the yard and while switching was taking place. In order to make uniform grades of approach on this crossing it will be necessary to raise the grade of the team and beet tracks about nine inches, which would be quite expensive.

While considerable local inconvenience results by the detour made necessary by the location of the cannery with respect to business blocks and the post office, it would appear that this is largely a seasonal inconvenience. The post office in a growing town may be moved as exigency demands and it is conceivable that the present location of the post office in Manteca may be changed. With the growth of the town, it is likely that some day the city will install an additional fire hose cart at the water works for the protection of the southwestern portion of the town. It is probably true that during certain seasons of the year there is considerable congestion on Yosemite avenue, and that the two existing crossings are often blocked, but the evidence is not convincing that these reasons are of sufficient importance as to require for their relief the opening of a new crossing, which would be extremely dangerous in location and difficult to protect. Further, it appears probable that much of the present inconvenience suffered could be eliminated by the improvement of Hogan road and Oak street, and that part of Yosemite avenue in the vicinity of the railroad crossing. The reasons advanced by the city for opening the crossing seem to be inadequate to offset the danger to the public and the interference with the operation of the railroad yard which would follow. In this matter arises the same question that always arises in railroad grade crossings, namely, public convenience versus public safety, and, in this instance, the balance of weight seems to rest on the side of public safety.

#### ORDER.

City of Manteca, San Joaquin County, having applied to the Commission for an order requiring the Southern Pacific Company to open Vine street, in said city, across its right of way and tracks, and a public hearing having been held, and it appearing that the additional hazard to life and limb occasioned by the opening of this crossing would more than offset the benefits to the public from opening said crossing;

*It is hereby ordered,* That this application be and the same is hereby denied.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this eighteenth day of October, 1919.

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DECISION No. 6758.

IN THE MATTER OF THE APPLICATION OF OAKLAND-SAN JOSE TRANSPORTATION COMPANY FOR CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY TO OPERATE FREIGHT AND EXPRESS SERVICE BETWEEN OAKLAND AND SAN JOSE.

Application No. 4941.

IN THE MATTER OF THE APPLICATION OF O. L. SWETT AND JOSE FIGEROA FOR CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY TO OPERATE AN AUTO-TRUCK LINE FOR FREIGHT SERVICE BETWEEN OAKLAND AND SAN JOSE.

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Application No. 4968.

Decided October 18, 1919.

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**AUTO TRUCK SERVICES—CERTIFICATES FOR.**—The sole fact that a railroad company and a railroad express company are serving the communities proposed to be served by several automobile truck lines is insufficient cause for denying an application for a certificate, particularly in view of the fact that the truck line proposes to operate at rates lower than those in effect on the railroad and in addition will render service at hours more convenient to the shippers of perishable products. Applicants granted certificate to operate automobile truck lines for the transportation of freight between Oakland and San Jose and intermediate points.

*A. Turner*, for Applicant Oakland-San Jose Transportation Company.

*E. M. Otis*, for Applicants O. L. Swett and Jose Figeroa.

*Harry T. Hennessy*, for United States Railroad Administration, Southern Pacific Railroad.

BY THE COMMISSION.

**ORDER.**

G. F. Nissen and A. C. Woodward, copartners, doing business under the fictitious name of Oakland-San Jose Transportation Company, have petitioned the Railroad Commission for an order declaring that public convenience and necessity require the operation by them of an automobile truck line as a common carrier of freight and express between Oakland, San Jose and intermediate points.

O. L. Swett and Jose Figeroa, partners in business under the fictitious name of "S. and F. Auto-Truck Freight Line," have petitioned the

Railroad Commission for an order declaring that public convenience and necessity require the operation by them of an automobile truck line as a common carrier of freight between Oakland, San Jose and intermediate points.

A public hearing on these applications was conducted by Examiner Handford at Oakland on September 30, 1919, and, as the routes sought by applicants are identical, the matters were consolidated for hearing, were duly submitted, and are now ready for decision.

Applicants Nissen and Woodward propose to charge rates in accordance with a schedule marked Exhibit "A" and attached to their application in this proceeding and to operate on a schedule of one round trip, daily except Sunday, serving as intermediates the communities at San Leandro, Hayward, Niles, Centerville, Irvington, Warm Springs, Milpitas, and Wayne; using as equipment one Moreland truck,  $2\frac{1}{2}$ -tons capacity, licensed by State Motor Vehicle Department under license No. 155473, and one Moreland truck, 4-ton capacity, licensed by State Motor Vehicle Department under license No. 460295; other equipment is to be added if requirements of the traffic justify.

Applicants Swett and Figueroa propose to charge rates in accordance with a schedule filed with the Railroad Commission and supplemental Exhibit "A" filed with their application in this proceeding, and propose to operate four round trips or more daily between Oakland and San Jose, serving as intermediates the communities of San Leandro, Hayward, Niles, Centerville, Irvington, Warm Springs, Milpitas, and Wayne; using as equipment two  $2\frac{1}{2}$ -tons and two  $4\frac{1}{2}$ -tons automobile trucks, equipment not yet having been procured pending authorization for the route herein applied for; more equipment is to be added by applicants if the conditions of traffic justify. Applicants rely, as justification for the granting of the desired certificates, upon the alleged fact that motor truck service is necessary to speed up deliveries of through freight and make delivery to intermediate points not covered by railroad or other carriers; that there is a growing demand for auto truck freight service for the betterment of commercial interests and to facilitate freight transportation over the route herein sought.

Witnesses for applicants testified as to the investigations that had been made regarding the traffic possibilities indicating the necessity for the establishment of the routes herein sought; as to the station and train service on the line of the Southern Pacific Railroad which is claimed to be inadequate and unsatisfactory to the shipping public; and as to the facility that could be offered shippers and consignees, if the desired service were to be established. A witness engaged in the wholesale produce business in Oakland for some twenty-eight years

testified as to the inadequacy of the present service offered by the Southern Pacific Company, particularly as to the delay in securing early morning delivery of fruits, vegetables and similar perishable products. It appeared that market conditions require fruit, vegetables and produce be in the hands of the commission merchants in the early morning, otherwise the produce has to be carried over until the following day's market, resulting in deterioration of the products and thereby materially lessening their sale value. Delivery by truck results in the produce being in the hands of commission merchants in the early hours of the morning and in better condition than when delivered by the railroad or the express company using the railroad facilities for transportation. The service rendered by the express company is stated to result in bruised and broken packages, the cause for which is alleged to be the frequent handlings which are required by this method of transportation, and deliveries by truck have resulted in the produce being delivered to the consignee in better condition and at an hour more seasonable for market conditions.

The granting of this application is protested by the United States Railroad Administration on behalf of the Southern Pacific Railroad and the American Railway Express, it being alleged that the service offered by such utilities is adequate and at reasonable rates and that the facilities offered by the United States Railroad Administration are ample to satisfactorily care for the needs of the shipping public over the route for which certificates are herein sought.

The rates proposed by applicants are materially lower than those of the American Railway Express, although the character of service to be rendered is almost directly comparable with that of the express company in that it includes pick-up and delivery and prompt handling from point of origin to destination.

After careful consideration of all the evidence in this proceeding, we are of the opinion that the public is entitled to the benefit of the lower rates offered by applicants herein for approximately the same character of service as rendered by the express company, there being the added facility of direct and expeditious transportation at hours suiting the demands of consignees, a service, which, according to witnesses in this proceeding, has not heretofore been available over the route herein sought. The public is entitled to the most expeditious service possible, and especially if such service can be obtained at a lower rate than is offered by other methods of transportation, and we are of the opinion that these applications should be granted.

*The Railroad Commission hereby declares, that public convenience and necessity require the operation by C. F. Nissen and A. C. Wood-*

ward, copartners, operating under the fictitious name of Oakland-San Jose Transportation Company, of an automobile truck line as a common carrier of freight and express between Oakland and San Jose and intermediate points; provided, however, that the rights and privileges herein granted may not be transferred nor assigned unless the written consent of the Railroad Commission to such transfer or assignment has first been secured.

*The Railroad Commission hereby declares*, that public convenience and necessity require the operation by O. L. Swett and Jose Figueroa, partners in business under the fictitious name of "S. and F. Auto-Truck Freight Line," as a common carrier of freight between Oakland and San Jose and intermediate points; provided, however, that the rights and privileges hereby authorized may not be transferred nor assigned unless the written consent of the Railroad Commission to such transfer or assignment has first been secured.

*It is hereby ordered*, that no vehicle may be operated under this certificate unless such vehicle is owned by the applicants herein or is leased by such applicants under a contract or agreement on a basis satisfactory to the Railroad Commission.

Dated at San Francisco, California, this eighteenth day of October, 1919.

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DECISION No. 6759.

IN THE MATTER OF THE APPLICATION OF SAN JOAQUIN LIGHT AND POWER CORPORATION FOR AN ORDER AUTHORIZING THE ISSUANCE AND SALE OF BONDS.

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Application No. 5033.

Decided October 18, 1919.

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*Murray Bourne, Short and Sutherland, by Murray Bourne, for Applicant.*

*LOVELAND, Commissioner.*

**OPINION.**

San Joaquin Light and Power Corporation asks permission to issue \$3,248,000 face value of its first and refunding mortgage series "C" 6 per cent bonds due August 1, 1950. It further asks permission to sell the bonds at not less than 94 per cent of their face value plus accrued interest and use the proceeds to pay for the construction and acquisition of new properties.

In Exhibit "2" attached to the petition, applicant reports its estimated expenditures to construct and acquire necessary properties from July 31, 1919, to July 31, 1920, as follows:

Production capital .....	\$3,613,594 24
Transmission capital .....	616,860 42
Substation capital .....	291,010 83
Distribution capital .....	843,770 20
General capital .....	6,634 60
Gas, water and railway capital .....	15,683 97
Total .....	\$5,387,554 26

Applicant is engaged in constructing a new 45,000 horsepower hydro-electric generating plant on the San Joaquin River. The cost of this plant, together with the necessary transmission lines, is estimated at \$4,990,000. Active construction work was begun during the early part of this year. The above estimates include the estimated cost to complete the plant.

Applicant reports that it has a market for all the power which it can generate by the new plant, and that if the plant had been in operation during all of 1919 it would have resulted in a saving in operating expenses of about \$900,000 expended for the purchase of fuel oil and electrical energy.

In Exhibit "4" applicant reports, for the year ending July 31, 1919, earnings available to pay fixed charges in the amount of \$1,355,556.63, which is equal to one and one-half times the interest on all bonds now issued, or heretofore authorized to be issued, together with the \$3,248,000 bonds applied for in this application.

I herewith submit the following form of order:

#### ORDER.

San Joaquin Light and Power Corporation having applied to the Railroad Commission for permission to issue bonds, a public hearing having been held, and the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose or purposes specified in this order, and that the expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income;

*It is hereby ordered*, that San Joaquin Light and Power Corporation be, and it is hereby, granted authority to issue on or before July 1, 1920, at not less than 94 per cent of their face value plus accrued interest, \$3,248,000 of its series "C" 6 per cent first and refunding mortgage bonds due August 1, 1950, and use the proceeds obtained from the sale



of said bonds to pay the cost of building the power plant, extensions, additions and betterments described in Exhibits "1" and "2" attached to the petition herein, or indebtedness incurred on account of the construction of said power plant, extensions, additions and betterments, provided:

1. That the authority herein granted will not become effective until applicant has paid the fee prescribed by the Public Utilities Act.

2. That San Joaquin Light and Power Corporation will keep such record of the issue and sale of the bonds herein authorized and of the disposition of the proceeds, as will enable it to file on or before the twenty-fifth day of each month a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this eighteenth day of October, 1919.

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DECISION No. 6760.

IN THE MATTER OF THE APPLICATION OF RODEO-VALLEJO FERRY COMPANY, A CORPORATION, FOR LEAVE TO ISSUE AND SELL CAPITAL STOCK.

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Application No. 4969.

Decided October 18, 1919.

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*Tum Suden and tum Suden*, by *Peter tum Suden*, for Applicant.

EDGERTON, *Commissioner*.

**OPINION.**

Rodeo-Vallejo Ferry Company asks permission to issue stock in an amount not exceeding \$400,000.

Applicant reports that it has amended its articles of incorporation and increased its authorized stock issue from \$200,000 of common to \$500,000, divided into \$300,000 of common and \$200,000 of 7 per cent cumulative preferred. It further reports that pursuant to an order of the Railroad Commission, it sold \$188,100 of common stock prior to the amendment of its articles of incorporation.

Applicant asks permission to issue \$188,100 of its common stock in lieu of the \$188,100 of common stock heretofore issued.

In addition, applicant asks permission to issue at not less than \$85 per share 2,119 shares (\$211,900) of additional stock, consisting of such proportion of common and preferred stock as it may be able to sell.

As of August 31, 1919, applicant reports assets and liabilities, as follows:

<i>Assets.</i>	
Cash on hand and in bank.....	\$15,525 73
Liberty Bond .....	200 00
Steamer "Issaquah" and additions.....	86,508 35
Wharves and landings .....	95,839 47
Tide lands .....	16,342 74
Supplies for boat.....	2,325 45
New boat .....	4,550 00
Repairs to boat.....	2,600 00
Repairs to wharves .....	200 00
Furniture and fixtures.....	360 20
Insurance premium unearned.....	300 00
Organization expenses .....	3,863 96
General equipment and labor .....	3,362 52
Advertising .....	2,800 00
Total assets .....	\$234,778 42

<i>Liabilities.</i>	
Authorized capital .....	\$200,000 00
Unsold stock .....	11,900 00
Capital stock issued.....	\$188,100 00
Notes payable .....	13,000 00
Accounts payable .....	14,854 60
War tax .....	1,002 13
Part paid subscription.....	225 00
Dividends unpaid .....	2,532 00
Profit and loss.....	15,064 69
Total liabilities .....	\$234,778 42

Applicant's financial statement from July 1, 1918, to June 30, 1919, shows that it collected in the form of revenues \$97,688.41 and that its operating expenses aggregated a total of \$80,257.06, leaving a net profit of \$17,431.35. During the year the company paid a 4 per cent dividend on \$180,000 of outstanding common stock.

Applicant reports that because of the increase in business, it has become necessary for it to acquire an additional boat. The cost of the new boat complete is estimated at from \$140,000 to \$175,000. In addition, applicant intends to construct a new wharf and ferry slip at Vallejo at an estimated cost of \$35,000 and to pay \$13,000 of notes issued for the purpose of purchasing terminal properties at Vallejo. Plans of the new boat and surveys of wharf and new ferry slip have been filed herein.

The record shows that applicant proposes to sell its stock to O. H. Klatt. Originally it was the intention of applicant to employ O. H. Klatt as a sales agent, paying him \$15 per share commission for each

share of stock sold by him. At the suggestion of the Commission, this plan has been abandoned and a new proposed contract filed, under the terms of which O. H. Klatt agrees to purchase outright 2000 shares (\$200,000) of either common or preferred stock at \$85 per share. It is, of course, understood, and the order herein will contain a condition to that effect, that applicant issue no stock unless it receives in cash \$85 per share. Applicant reports that it is in urgent need of funds to pay for the construction of the new boat and we, therefore, look to its officers and stockholders to see that the 2000 shares of stock which O. H. Klatt has agreed to purchase will be taken by him as the needs of the company may require.

I herewith submit the following form of order:

#### ORDER.

Rodeo-Vallejo Ferry Company having applied to the Railroad Commission for permission to issue stock, a public hearing having been held, and the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose or purposes specified in the order, and that the expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income;

*It is hereby ordered*, that Rodeo-Vallejo Ferry Company be, and it is hereby, authorized to issue 4000 shares (\$400,000) of stock for the following purposes and upon the following conditions:

1. Common stock in the amount of 1881 shares (\$188,100) herein authorized may be issued to the present stockholders of the company in exchange for 1881 shares (\$188,100) of stock now held by them.

2. Two thousand one hundred nineteen shares (\$211,900), consisting of either common or 7 per cent cumulative preferred stock, as provided for in applicant's articles of incorporation, may be sold for not less than \$85 per share in cash, and the proceeds used only for the purpose of paying for the construction of a new boat, and the construction of a wharf and ferry slip, and the payment of notes issued for the purpose of paying in part for terminal properties in Vallejo and vicinity, to all of which reference is made in the petition herein, or such other purpose or purposes as the Railroad Commission may authorize in a supplemental order or orders, provided that none of the 2119 shares of stock be issued until applicant has actually received in cash the full selling price.

3. Rodeo-Vallejo Ferry Company shall keep such record of the issue and sale of the stock herein authorized, and of the disposition of the proceeds, as will enable it to file on or before the twenty-fifth day of each month a verified report as required by the Railroad Commission's

General Order No. 24, which order, in so far as applicable, is made a part of this order.

4. The authority herein granted shall apply only to such stock as may be issued on or before October 1, 1920.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this eighteenth day of October, 1919.

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DECISION No. 6764.

IN THE MATTER OF THE APPLICATION OF M. HAYDIS FOR CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY TO OPERATE MOTOR TRUCK EXPRESS LINE.

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Application No. 4833.

Decided October 22, 1919.

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**AUTO STAGES—CERTIFICATES—PUBLIC NECESSITY FOR.**—The mere desire of an applicant to extend his business or enter a new field is not sufficient justification for the granting of a certificate permitting such operation. It must be shown conclusively that there exists a public demand for such service, particularly when the field is already adequately cared for by an existing company against which service and rates no complaints have been made. Application denied.

*Liggett and Liggett*, by *C. Liggett*, for Applicant.

*Hendee and Rodabaugh*, by *E. E. Rodabaugh*, for Chas. D. Boynton, Proprietor, Boulevard Express, Protestant.

*M. W. Read*, for The Atchison, Topeka and Santa Fe Railway.

BY THE COMMISSION.

**ORDER.**

M. Haydis has petitioned the Railroad Commission for an order declaring that public convenience and necessity require the operation by him of an automobile truck line as a common carrier of express and freight between Los Angeles and San Diego.

A public hearing on this application was conducted by Examiner Handford at San Diego on September 17, 1919, the matter was duly submitted, and is now ready for decision.

Applicant proposes to charge rates in accordance with a schedule marked Exhibit "A" and filed with the application in this proceeding and to operate on a schedule of one round trip, daily except Saturday. The equipment proposed to be used consists of one Kissel motor truck, 3-ton capacity, licensed by State Motor Vehicle Department under

license No. 336577. Other equipment is to be provided if the requirements of traffic justify.

Applicant is operating a freight and express service between San Diego and points in the Imperial Valley under the authority of a certificate of public convenience and necessity issued by the Railroad Commission and desires to extend his route to cover the business between San Diego and Los Angeles, relying as justification for the granting of the desired certificate upon the alleged fact that the existing authorized motor truck line does not and can not accommodate and carry all the freight offering for transportation over the route herein sought.

At the hearing applicant requested that his application be considered on the basis of through business between San Diego and Los Angeles, no permit for the carriage of local or intermediate business being sought or desired.

Applicant testified as to his opinion, based on observation, that ample business offered to make the establishment of the line a profitable venture and directed attention to the operation of automobile trucks over the route for which certificate is sought. It appears, however, that the trucks which are operating are either on a rental or contract basis and no evidence was introduced indicating that any trucks were being operated as common carriers other than the equipment of the Boulevard Express, which is regularly operating under certificate from the Railroad Commission.

The granting of this application is protested by Chas. D. Boynton, proprietor of the Boulevard Express, on the basis that adequate service and at reasonable rates was offered by his line; that ample equipment was provided which was not utilized to its capacity; that the protestant was financially able and willing to provide any additional service or equipment that might be necessary to meet the demands for motor truck transportation for through business between San Diego and Los Angeles; that no complaint had been received as to rates charged by protestant or as to failure to satisfactorily handle all business offered; and that the route did not offer sufficient business to justify the establishment of a competing truck line as a common carrier.

The Atchison, Topeka and Santa Fe Railway Company directed attention to the service and rates offered by the United States Railroad Administration as its lessee and the American Railway Express and to the ability of both to provide ample service and facilities for all business offering for movement over the route herein sought by applicant.

A comparison of the rates proposed by applicant with those of the Boulevard Express indicate that they are practically the same with the

exception of the rate on truck lot shipments, such rate being approximately 50 per cent of the rate in effect over the line of the Boulevard Express. The matter of truck lot rate is not a sufficient reason for the granting of the desired certificate, particularly when no showing was made as to any complaint by shippers and receivers of freight as to the unreasonableness of the rates now in effect on the line of a competing truck carrier. The movement of commodities by truck lots is usually on the basis of contract hauling rather than movement by a truck company operating as a common carrier, and in this proceeding it was not shown that any demand existed on the part of the public for such service to be rendered by the applicant.

After careful consideration of all the evidence in this proceeding, we are of the opinion that no evidence appears which would justify the granting of the desired certificate. The applicant desires to extend his field of operation as a common carrier to the through business between Los Angeles and San Diego, but has made no showing as to public convenience and necessity other than his desire to serve the route herein sought. The Commission has repeatedly stated in its decisions on applications for certificates of public convenience and necessity that an affirmative showing must be made, and that the desire of an applicant to enter the business or to expand his activities as a common carrier is not sufficient justification for the granting of a certificate. Applicant herein has failed to establish the fact that public convenience and necessity require his operation over the route herein sought and the application must, therefore, be denied.

*The Railroad Commission hereby declares*, that public convenience and necessity do not require the operation by M. Haydis of an automobile truck line as a common carrier of freight and express between San Diego and Los Angeles; and

*It is hereby ordered*, that this application be and the same hereby is denied.

Dated at San Francisco, California, this twenty-second day of October, 1919.

## DECISION No. 6765.

PASTORINO AND FERRARO

vs.

CHARLES LANGE.

Case No. 1323.

Decided October 22, 1919.

**JURISDICTION—PUBLIC UTILITY WATER PLANTS.**—An individual owning a ranch upon which a reservoir is situated, from which he has for a number of years delivered water to neighbors for compensation, is found to be a public utility and is directed to continue such service at rates herein established; provided, that complainants install certain necessary improvements to the dam storing water from which they receive service, such work to be in part payment for service received.

*Carr and Kennedy*, by *Francis Carr*, for Complainants.

*W. D. Tillotson*, for Defendant.

BY THE COMMISSION.

**OPINION.**

Complainants allege that defendant during the last four years has been engaged in the sale, rental and distribution of water from a reservoir on his land which is a public utility subject to the jurisdiction of the Commission; that during the years 1915, 1916 and 1917 defendant furnished water for irrigation of complainants' lands at a yearly rental of \$30; that in 1918 and subsequently defendant refused to furnish any water, although defendant was not using said water for any other purpose and that the supply for complainants was ample.

Complainants pray an order directing the defendant to furnish water at \$30 per year and for general relief.

The answer denies that defendant has been engaged in the sale, rental, distribution or either, of water, and alleges that during 1914 he permitted plaintiffs to take water from said reservoir without consideration and during the years 1915, 1916 and 1917 he leased to them the right to take water from the reservoir, but with the understanding that the privilege was only from year to year and might be withdrawn at any time and was granted as an accommodation to plaintiffs; alleges that plaintiffs took water from the reservoir during 1918 but have not paid for it, and denies that the reservoir is a public utility or that he or it are subject to the jurisdiction of the Railroad Commission; that if plaintiffs are given the right to use water they will deprive him of water necessary to irrigate his land; that he has no objection to plaintiffs obtaining water from said reservoir during the present season upon

payment of a reasonable price, so long as it does not interfere with his use thereof, but he does object to having the reservoir declared a public utility; that after refusing plaintiffs water in 1918 the Railroad Commission informally directed defendant to furnish water and since then he permitted plaintiffs to take water.

He also alleges that plaintiffs can construct a reservoir upon their lands and obtain water in the same manner that defendant obtains water.

A public hearing was held by Examiner Westover at Redding.

The land now owned by defendant lies about three miles west of Redding, Shasta County. There is upon it a reservoir flooding at times some six or eight acres, formed by an earthen dam impounding rain water near the head of a broad, shallow ravine. The reservoir is usually filled by the first of January or before by natural rainfall. A small ditch leads from it through the lands of complainants. The reservoir and ditch was originally constructed principally for mining uses, probably prior to 1880, but has not been used for irrigation purposes for the last eleven years except by complainants.

In 1908 complainants purchased and moved upon their lands, across which runs the shallow ravine in which is the reservoir in question. At that time there was on the land a vineyard of about twelve acres and about one acre set to fruit trees. Complainants put in a garden of about half an acre and began using water from the reservoir for irrigating it and the trees. These improvements are about half a mile below the reservoir. At that time defendant's land and reservoir were owned by Mrs. William Falk and in possession of one Mike Albo under a lease or contract to purchase. Complainants arranged with Albo to use the water whenever they wanted it, without compensation.

Defendant acquired the Falk property with the reservoir about 1913 and has lived upon the land since January, 1914.

For the season of 1913 defendant authorized complainants to use the water in consideration of their repairing and cleaning the ditch. For the following season he fixed the compensation for the use of the reservoir and ditch by complainants at \$30, which rate of compensation continued for three years. About October, 1916, defendant notified the complainants that he must have \$60 per year for the use of the water, ditch and reservoir thereafter. For the following season complainants sent their check for \$30, which defendant received and credited on account and still claims a balance of \$30 due for that season. The following season defendant refused to permit the use of water until the Commission upon being appealed to informally directed that its use be continued during the war emergency. Last June complainants paid



in compromise the sum of \$60 for the season of 1918-1919 with the understanding that the amount would be doubled if it be determined by the Commission that the property is not of a public utility character. At no time was there any express agreement as to the length of time during which complainants might use the water nor was there any express agreement that the use was to be only temporary. The only work of maintenance or repair of the ditch or reservoir has been done by complainants, and began about 1913.

After arranging with defendant for water in 1913 complainants began making further improvements upon their ranch, and in 1914 planted one and one-half acres of additional deciduous fruits and in 1915 planted three and one-half acres more fruit trees. During 1914, 1915 and 1916 they cleared and irrigated additional land until in 1916 they were irrigating four acres more. They also increased their garden operations very considerably. The trees and garden crops required water for irrigation but the vineyard (increased to fourteen acres in recent years) has never been irrigated except that some vines were interset in the orchards and received water incidentally when the trees were irrigated. The largest area irrigated was eight and one-half acres in 1916, but irrigation continued for longer periods in other seasons. Most of the land is irrigated by gravity but water has to be pumped for a considerable portion lying above the level of the ditch.

About 1913 or 1914 complainants built a dam across the shallow ravine above referred to along the easterly line of their land, thus creating a sump which receives water spilled from the reservoir, natural drainage below the reservoir, water from small springs on complainants' lands and also water led to it from the reservoir through the main ditch. In 1914 complainants installed a pumping plant consisting of a 6-horsepower gas engine and 2-inch centrifugal pump. Since then they have pumped water from the sump to higher levels than can be reached by gravity flow and for that purpose have laid about 420 feet of 3½-inch casing and nearly as much 3-inch standard screw pipe, all laid on the surface.

Defendant's ranch is practically uncultivated, his business being in Redding, and he has no plans for the use of water for irrigation upon his own ranch. He objects to having the reservoir declared of public utility character because he fears it will injure the sale of his land and permit the diversion of water which may at some future time be needed on his ranch by some future owner. His concern on these grounds has arisen during and because of the recent controversy with complainants. Until that time he had no hesitancy about selling water, the only question in his mind being the adequacy of his compensation.

Apparently the capacity of the reservoir can be easily increased so that complainants may have as much water as they have heretofore been using, leaving the defendant about as much as there has been in the reservoir in recent years. There are two spillways through the dam which have become eroded and apparently greatly enlarged. The bottoms of these spillways can be raised at least three feet at small expense and means provided for opening them easily in case of need resulting from sudden heavy storms or cloudbursts which sometimes occur in that vicinity.

Sufficient data was not presented from which a fair rate can be calculated nor was the amount of water used by complainants shown other than by the extent of the area irrigated. The defendant may wish to sell water to other persons. If so he may apply to the Commission for authority to establish suitable rates or to establish suitable rates to be applied to the complainants after the next two irrigating seasons.

#### ORDER.

A public hearing having been held in the above entitled case and the matter being submitted and now ready for decision:

*It is hereby ordered*, that within sixty days from date hereof complainants, at their own expense, line the present two spillways in defendant's dam, sides and bottom, with concrete not less than three inches thick or with stone paving grouted with cement, said paving to be not less than five inches thick and said spillways to be lined to the top of the dam; complainants also to provide suitable gates or flash boards extending to within three feet of the top of the dam with suitable means for opening said spillways to relieve the pressure on the dam in case of floods; also with means for conducting the water from said spillways to a point below the toe of the dam so that erosion of said dam will be prevented; and that complainants thereafter maintain said dam, spillways and ditches until the end of the irrigating season of 1921; and as consideration for the use of said reservoir and water in the past and until the end of the irrigating season of 1921, in addition to the above described improvements and maintenance, that they pay to defendant the further sum of \$30 per year, annually, on the first day of March, 1920 and 1921; and that in return for such consideration they be permitted to irrigate from said reservoir not exceeding nine acres of their land described in the complaint.

This order is made without prejudice to the right of defendant to apply for an increase in the rate to be charged to complainants for the irrigating season of 1922, and subsequent years; or to apply for an

order authorizing rates to be charged to other patrons he may wish to serve at any time.

This order shall become effective November 15, 1919.

Dated at San Francisco, California, this twenty-second day of October, 1919.

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DECISION No. 6766.

IN THE MATTER OF THE APPLICATION OF WINEVILLE WAREHOUSE COMPANY FOR PERMISSION TO ISSUE STOCK IN THE AMOUNT OF FOUR THOUSAND DOLLARS.

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Application No. 4890.

Decided October 22, 1919.

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*Jefferson P. Chandler*, for Applicant.

BY THE COMMISSION.

**OPINION.**

This is an application of Wineville Warehouse Company for authority to issue its capital stock of \$4,000.

A public hearing was held upon the application by Examiner Westover in Los Angeles.

Charles Stern and Sons, Incorporated, own and operate a large plant for canning and preserving fruits and vegetables at Wineville, Los Angeles County, and find it necessary to operate a warehouse in connection with the business, in which goods sold to its customers may be stored for their account until ready for shipment. Applicant does not expect to do much public storage business for others than customers of the canning company.

The warehouse company has leased from Charles Stern and Sons, Incorporated, a concrete warehouse, and as its overhead and clerical expense will be very small because it is to be operated in connection with the business of the latter, but little capital will be needed. All of the stock has been subscribed and will be taken at par by stockholders in the parent concern.

**ORDER.**

Wineville Warehouse Company having applied to the Commission for authority to issue its 40 shares of capital stock at their par value of \$100 each, a public hearing having been held thereon, and it appearing to the Railroad Commission that the money to be procured or paid for by such issue is reasonably required for the purposes specified in the

order and that the expenditures for such purposes are not reasonably chargeable in whole or in part to operating expenses or to income;

*It is hereby ordered*, that Wineville Warehouse Company be and it is hereby authorized to issue 40 shares of its capital stock of the par value of \$100 each upon the following conditions:

1. Said stock shall be issued and paid for at par without the payment of any commission or allowance of any discount.

2. The authority herein granted to issue stock shall apply only to such stock as may be issued within sixty days from date hereof.

3. Within ten days after the issue of the stock herein authorized Wineville Warehouse Company shall make verified report to the Commission stating the fact and date of issue, the persons to whom said certificates are issued, and the number of shares represented by each certificate.

Dated at San Francisco, California, this twenty-second day of October, 1919.

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DECISION No. 6767.

IN THE MATTER OF THE APPLICATION OF OWENS VALLEY TRANSPORTATION, STORAGE AND PACKING COMPANY FOR A PERMIT TO ISSUE AND SELL ITS STOCK.

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Application No. 4782.

Decided October 22, 1919.

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*Hogan and Carlson*, by *C. H. Hogan*, for Applicant.

BY THE COMMISSION.

**OPINION.**

Owens Valley Transportation, Storage and Packing Company, at the hearing held before Examiner Encell on August 21, 1919, amended its application and requests permission to issue \$50,000 par value (50,000 shares) of its common capital stock.

Applicant was incorporated on or before June 20, 1919, for the purpose of engaging in the transportation, storage and packing business in Owens Valley, Inyo County, California. The company has an authorized capital stock of \$99,000, divided into 99,000 shares of the par value of \$1 each.

Applicant intends at this time to engage in the freight and passenger business pursuant to the authority granted in the decision relating to Application No. 4783. It estimates that it will be required to expend

\$50,000 to purchase the necessary automobile equipment, terminals, garages, machine shops and materials and supplies. Its equipment will consist of nine new Mack trucks of the latest design, three having a capacity of  $3\frac{1}{2}$  tons, three having a capacity of  $2\frac{1}{2}$  tons, and three having a capacity of  $1\frac{1}{2}$  tons. The  $1\frac{1}{2}$ -ton trucks will be used in connection with the passenger and express business of the company.

Applicant reports that it expects to sell its stock to people of Inyo County and to distribute the sale as much as possible so as to have the greatest number of people interested in the enterprise. The necessity for added freight and passenger transportation service in the Owens Valley is set forth in the decision in Application No. 4783.

#### ORDER.

Owens Valley Transportation, Storage and Packing Company having applied to the Railroad Commission for authority to issue stock, a public hearing having been held, and it appearing to the Railroad Commission that the money, property or labor to be procured or paid for by the issue of such stock is reasonably required for the purposes specified in the order, and that such purposes are not in whole or in part reasonably chargeable to operating expenses or to income;

*It is hereby ordered*, that Owens Valley Transportation, Storage and Packing Company be, and it is hereby, authorized to issue and sell at not less than the par value thereof, on or before March 1, 1920, \$50,000 of its common capital stock and use the proceeds obtained from the sale of the stock to purchase the automobile equipment, terminals, garages, machine shops and materials and supplies referred to in the petition herein, provided that Owens Valley Transportation, Storage and Packing Company will keep such record of the issue and sale of the stock herein authorized and of the disposition of the proceeds as will enable it to file on or before the twenty-fifth day of each month a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

Dated at San Francisco, California, this twenty-second day of October, 1919.

## DECISION No. 6768.

IN THE MATTER OF THE APPLICATION OF THE HUMBOLDT TRANSIT  
COMPANY FOR AUTHORITY TO EXECUTE A NOTE IN THE  
AMOUNT OF TWENTY THOUSAND DOLLARS.

Application No. 4942.

Decided October 22, 1919.

BY THE COMMISSION.

**OPINION.**

Humboldt Transit Company seeks authority to issue a demand note in the sum of \$20,000, with interest at the rate of 6 per cent per annum, payable to First National Bank of Eureka, to be jointly executed with Wm. Butterworth, its president, and secured by pledge of forty of its first mortgage 5 per cent bonds of the face value of \$40,000 to secure the payment of the note.

A public hearing upon this application was held by Examiner Westover in San Francisco.

The note is to be issued to refund similar note now held by the bank. The indebtedness was originally incurred for the purchase of rolling stock and extension of its tracks in Myrtle avenue in Eureka, where it operates. Notes to cover this indebtedness have been issued from time to time by authority of the Commission. (See Opinions and Orders of the Railroad Commission, Vol. 3, p. 542; Vol. 6, p. 138; Vol. 14, p. 167.)

**ORDER.**

Humboldt Transit Company having applied to this Commission for authority to issue a demand promissory note payable to the First National Bank of Eureka in the sum of \$20,000, bearing interest at 6 per cent per annum and secured by pledge of \$40,000 first mortgage 5 per cent bonds, for the purpose of renewing a note in a similar amount now outstanding, and a public hearing having been held, and it appearing to this Commission that the money to be secured by such issue is reasonably required for the purpose specified in the order, which purpose is not in whole or in part reasonably chargeable to operating expenses or to income:

*It is hereby ordered*, that Humboldt Transit Company be and it is hereby authorized to issue a 6 per cent demand note payable to the First National Bank of Eureka in the principal sum of \$20,000, and to issue and pledge as collateral security for said note, \$40,000 of its first mortgage 5 per cent bonds.

This authority is granted upon the following conditions and not otherwise:

1. Said note shall be issued for not less than its face value for the purpose of refunding a note for the same amount issued by applicant to the First National Bank of Eureka under authority of this Commission's Decision No. 4639, dated September 13, 1917.

2. The bonds hereby authorized to be issued shall be pledged in such a ratio that the face value of the note shall never be less than 50 per cent of the face value of the bonds pledged. Upon the payment of the note hereby authorized to be issued or any part thereof the bonds pledged as collateral, or a proportionate amount if only a part of the note be paid, shall be returned to applicant's treasury and thereafter issued only upon order of the Railroad Commission.

3. Humboldt Transit Company shall report to the Railroad Commission within ten days after issuing said note and pledging said bonds, the fact and date of such issue and pledge.

4. The authority hereby given to issue said note or pledge said bonds shall apply only to such note as may be issued and to such bonds as may be pledged within thirty days after date hereof.

Dated at San Francisco, California, this twenty-second day of October, 1919.

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DECISION No. 6772.

IN THE MATTER OF THE APPLICATION OF M. G. CALVIN FOR PERMISSION TO SELL THE CAMPBELLS GULCH WATER RIGHT AND THE CAMPTONVILLE WATER WORKS TO F. S. LABADIE AND RACHEL M. LABADIE.

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Application No. 4706.

Decided October 22, 1919.

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BY THE COMMISSION.

**OPINION.**

M. G. Calvin, who owns and operates the so-called "Campbell's Gulch water right" and the "Camptonville Water Works," and who is engaged in the business of supplying water to the inhabitants of Camptonville, has made application to the Railroad Commission for authority to sell said property and rights to F. S. Labadie and Rachel M. Labadie, and said F. S. Labadie and Rachel M. Labadie have joined in said application.

The application alleges that M. G. Calvin is the administrator of the estate of Budden W. Calvin, deceased, and that the present ownership

of the property would be in heirs to the estate who do not reside at Camptonville; that the administrator of the estate is not in position to give the property proper attention and care; that applicants herein are acting in their individual capacity, and that there are no debts outstanding which are a proper charge against the property.

An inspection of the system was made by the Commission's engineers, and it was found that Mr. Labadie has already installed some improvements to the water system and now has further necessary improvements under way. A hearing was set in the matter of this application and written notice of the time and place of said hearing was mailed to all interested parties, giving them an opportunity to appear and be heard.

No objection having been made to this transfer, and it appearing that public convenience will be served by the granting of the application herein, said transfer is authorized upon the terms and conditions of the following order, and not otherwise:

#### ORDER.

M. G. Calvin having made application for an order authorizing transfer and sale of certain property hereinafter described to F. S. Labadie and Rachel M. Labadie, and said F. S. Labadie and Rachel M. Labadie having joined in said application, investigation having been made, public hearing having been held and the matter being now ready for decision;

*It is hereby ordered*, that M. G. Calvin be and he is hereby authorized to transfer and convey to F. S. Labadie and Rachel M. Labadie the following described property, to wit:

That certain water right located on Campbells Gulch in Slate Range Township, county of Yuba, State of California, and known as the Campbell water right; also the ditch used for conveying the water of said Campbells Gulch to the town of Camptonville, the branch ditches and reservoirs used and connected with said water right and ditch; also that certain property located in the aforesaid town, county and state, and known as the Camptonville Waterworks, conveying the waters of Worley Gulch and Campbells Gulch to the town of Camptonville, together with all the water rights, flumes, ditches, reservoirs, pipes, rights of way, and lands thereunto belonging or in anywise connected therewith.

The authority herein granted is granted upon the following conditions:

1. Nothing herein contained shall be construed in any proceeding before this Commission or any court, tribunal or public body as a finding by this Commission of the value of the property authorized to be conveyed for any purpose other than the purposes of this proceeding.
2. F. S. Labadie and Rachel M. Labadie shall assume and discharge all of the obligations to serve the public heretofore resting upon M. G. Calvin as owner of Camptonville Water Works.
3. The approval of the instruments of conveyance herein is for the purpose of this proceeding only, and only in so far as this Commission



has jurisdiction under the terms of the Public Utilities Act, and is not intended as an approval of said instruments of conveyance as to any other legal requirements to which they may be subjected.

4. The authority herein contained shall extend only to such conveyances of real or personal property as shall have been delivered on or before December 31, 1919.

5. Within ten days subsequent to the date of the transfer of property herein authorized, a certified statement shall be filed indicating that such transfer has taken place and a certified copy of the instrument or instruments of conveyance shall be filed with the Commission.

Dated at San Francisco, California, this twenty-second day of October, 1919.

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Decision No. 6789.

BALDWIN PARK CHAMBER OF COMMERCE

vs.

BALDWIN PARK DOMESTIC WATER CORPORATION.

Case No. 1314.

IN THE MATTER OF THE APPLICATION OF BALDWIN PARK DOMESTIC WATER COMPANY, ASKING PERMISSION FOR AN INCREASE OF RATES.

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Application No. 4585.

Decided October 22, 1919.

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**EXTENSIONS—SERVICE CONNECTIONS—PAYMENT FOR BY CONSUMERS.**—Payment by consumers for service extensions and meters should be considered by the utility in the nature of a loan and repaid to consumers either in cash or in credit on bills. Consumers who have not received such credit are entitled to the same regardless of the date payment was made.

**OVERHEAD PERCENTAGES—ADDITION OF.**—It is held that the practice of arbitrarily adding overhead percentages to capital account is contrary to instructions contained in uniform classification of accounts prescribed for water utilities and its discontinuance is required.

**RATES—METERED SERVICE—WHEN DISCRIMINATORY.**—A public utility operating a water system on a metered rate basis only, must meter all consumers irrespective of their interest in the utility and charge them the regular rates for such service.

Revised schedule of rates established to become effective for meter readings made subsequent to date of order and utility directed to file a revised set of rules and regulations in accordance with directions contained herein.

*Harry William Elliott*, for Baldwin Park Chamber of Commerce and Protestants.

*S. M. Walker*, for Defendant and Applicant.

*BRUNDIGE*, Commissioner.

#### OPINION.

The complaint of Baldwin Park Chamber of Commerce alleges in effect that the rates now charged by defendant for water supplied to

consumers in Baldwin Park and vicinity, Los Angeles County, are excessive and exorbitant; that defendant has failed to supply the necessary water pressure for domestic service; that the charges made by defendant for the installation of irrigating meters are excessive and without uniformity; and whereas such charges should be returned to the consumers in water, defendant has in some cases failed to give the proper credits on water bills.

The Commission is asked to fix reasonable rates for water supplied by defendant for domestic, irrigation and other purposes; to require defendant to maintain adequate water pressure for domestic use; to fix a reasonable charge for the installation of irrigating meters, and that such charge be returned to the consumer in water supplied, and for such other relief as to the Commission may appear reasonable.

Shortly after the above entitled complaint was filed application was made by Baldwin Park Domestic Water Company asking the Commission to establish reasonable rates, the allegation being made that the present rates are too low to pay a fair return upon the investment.

A public hearing was held in Baldwin Park on June 20, 1919, at which time it was stipulated that the two proceedings would be considered at the same time.

The present rates charged by Baldwin Park Domestic Water Company and the rates alleged by Baldwin Park Chamber of Commerce to be reasonable are as follows:

<i>Domestic Service.</i>	<b>Present Rates.</b>
Monthly minimum charge.....	\$1 50
From 0 to 600 cubic feet, per 100 cubic feet.....	0 25
From 600 to 2000 cubic feet, per 100 cubic feet.....	0 15
Over 2000 cubic feet, per 100 cubic feet.....	0 10

<i>Irrigation Service.</i>	
Per miner's inch hour.....	\$0 025
Which is equivalent to \$0.0347 per 100 cubic feet.	

<i>Domestic Service.</i>	<b>Rates Alleged to Be Reasonable.</b>
Monthly minimum charge.....	\$1 00
From 0 to 1000 cubic feet, per 100 cubic feet.....	0 10
Over 1000 cubic feet, per 100 cubic feet.....	0 075

<i>Irrigation Rates.</i>	
Per miner's inch hour.....	\$0 0175
Which is equivalent to \$0.0243 per 100 cubic feet.	

No persuasive testimony was presented by complainant to support the allegation that pressures maintained for domestic service were inadequate, but on the other hand defendant testified that tests taken at various parts of the system indicate pressures of from 30 to 40 pounds to the square inch. These are sufficient to assure adequate domestic service.

A considerable amount of testimony was introduced showing that various consumers have in the past paid for extensions of mains, for service connections and for meters and that such payments have not been returned to them either in money or as credits on their bills for water consumed. By Decision No. 1823 of this Commission, dated September 24, 1914, defendant was ordered to install free of charge to consumers the ordinary five-eighths inch meter and three-quarter inch service connection. Defendant's rules and regulations, accepted for filing by this Commission, and effective October 1, 1914, provide that when an application for service requires the installation of a service and meter larger than the usual three-quarters inch service and five-eighths inch meter the consumer shall deposit the excess of such larger service and meter with the utility, and that the deposit will be credited on the water bills of the consumer at the monthly rate of one-tenth of the amount deposited until the deposit shall have been entirely absorbed.

It was not shown by testimony that any meters and services or extensions of mains have been paid for by consumers or that the utility has refused to give the credits on water bills to which the depositors were entitled subsequent to October 1, 1914. Apparently therefore consumers are complaining of conditions which prevailed prior to the Commission's order.

Considering the facts of this particular case, payments made by consumers for service and meters or extensions should be regarded in the nature of loans to the utility, and as such should be repaid to consumers either in cash or in credits on water bills. Therefore consumers of this utility who have made such payments and have not received proper credits are entitled to redress and upon presentation to the utility of proper evidence of payment will be given relief regardless of the date of payment, and regardless of whether or not such payments were made prior to the effective date of the Public Utilities Act.

It was shown that in one instance at least the owner of a subdivision had paid one-third of the cost of piping for the tract and had subsequently received no credits on water bills. Inasmuch as the value of the property has been enhanced by such water service, and therefore no claim for reimbursement has been made, I believe the owners of the tract have been compensated for any payments made.

Several of the complainant's witnesses alleged that the deposits required for the installation of the irrigation services and meters were exorbitant. As these consumers have received, or are receiving, credits on their water bills, and owing to the fact that prices of materials are, and have been for some time past, at a very high point, and are constantly fluctuating, it is unnecessary to pass upon the matter at this time or to fix any schedule of deposits to be made for the various sizes

of meters and services which may be required. Any consumer, however, who in the future feels that the deposit demanded of him is excessive is asked to refer the matter to the Commission for decision.

It was also shown that water supplied to S. M. Walker for domestic and irrigation use was not metered. It is unnecessary to go further than to state that such practices are discriminatory and that meters should be installed for this service.

An investigation of the cost of the system, maintenance and operating expense, revenues and depreciation allowance was made by the Commission's Hydraulic Division and the findings introduced in evidence.

It was found that the cost of the system as shown by the utility's books, as of April 1, 1919, was \$49,574. It was also shown that many of the items included in the book costs contained arbitrary overhead additions which were not justified. In the Commission's estimates only proper allowances are included for this item. Eliminating these unjustifiable overheads and making estimated additions for the cost of the new well, pump and motor, then under construction, indicated a cost of \$46,146. Owing to the fact that the distribution pipe system was overbuilt a further reduction was made and \$42,000 was recommended as a reasonable rate base.

Maintenance and operation expense as charged in 1918 amounted to \$6,068 and in 1917 to \$5,370, and average \$5,719. Various deductions which were fully discussed and explained in testimony were made and a reasonable allowance for maintenance and operation expense was stated to be \$5,124 per year.

The allowance for depreciation annuity was calculated upon the 4 per cent sinking fund method and was shown to be \$1,008 and is a reasonable allowance.

Revenues from the sales of water during the year 1918 amounted to \$7,917.

Baldwin Park Chamber of Commerce objected to the report of the Commission's engineer as to rate base and maintenance and operating expense. It was alleged that Mr. Walker had charged excessive rates for his own services and for hire of his team. Testimony was introduced showing the cost of various water systems in the vicinity and a demand was made for the figures used by the Commission's engineer in his check of the book cost of the system. Baldwin Park Chamber of Commerce subsequently had an audit made of the utility's books and filed a brief setting forth the amounts paid both by Mr. and Mrs. Walker for personal services and team hire during the year 1918. The brief also alleges that the value of the system devoted to the public use is \$29,405.

Subsequent to the hearing the Commission's Hydraulic Division has subjected the engineer's report to a most thorough investigation and

check. It may be that some of the items reported such as real estate, which was taken at the amounts shown in the utility's books, are too high, but I am of the opinion that the report as a whole sets out a fair total value of the use and useful property of this system, and it is found as a fact that the sum of \$42,000 is a fair service value for this system for the purposes of this proceeding.

The testimony as to the cost of other water systems in the vicinity is not conclusive, as these systems are of smaller size and capacity. I also desire to point out that the rate base set forth in protestant's brief does not include several items of property among which are the new well, pump and motor and the service pipes on the system.

As the estimate of reasonable maintenance and operation expense, amounting to \$5,124 per year, is considerably lower than the actual charges shown by the utility's books, I believe that any excessive charges which may have been made are entirely eliminated and that the estimate compares favorably with the corresponding expense on systems of the same size and operated under similar conditions. I therefore find that \$5,124 is a reasonable annual allowance for maintenance and operation expense for this system.

Annual charges based upon the foregoing details are as follows:

Return upon rate base for this system-----	\$2,520 00
Depreciation annuity -----	1,008 00
Maintenance and operation expense-----	5,124 00
Total -----	\$8,652 00

As the revenues for 1918 amounted to \$7,917 it is seen that, based upon present rates and the same use of water as in 1918, there will be a deficit from operation and that the utility is entitled to an increase in rates. It is estimated that the rate schedule set out in the accompanying order will yield the necessary revenues.

The practice of this utility of arbitrarily adding overhead percentages to capital account is clearly contrary to the instructions contained in the Commission's uniform classification of accounts and should be discontinued.

Additional rules and regulations are necessary in order to clear the existing situation in regard to extensions of mains, the installation of meters and services bills, for a fractional month, and reconnection and disconnection charges. I recommend that the utility be required to file with the Commission revised rules and regulations in which shall be embodied the following general principles: In case an application for service requires the extension of the utility's existing mains, one hundred feet of such extension shall be made free of charge for each consumer, and in case an extension of mains in excess of one hundred feet for each consumer is required, the cost of such excess shall be

deposited by the applicant with the utility and returned at the monthly rate of one-tenth of the bills for water used on the extension.

The usual three-quarters inch service and five-eighths inch meter shall be installed free of charge, but in case a larger meter and service is desired the additional cost of such larger installation shall be deposited with the utility by the applicant and returned at the monthly rate of one-tenth of the bills for water used.

In case an application for service involves a deposit for both an extension of mains and for a large meter and service the rate of return of deposit shall be one-seventh of the monthly bills for water.

In case there is a reasonable doubt that any extension of mains or new service and meter will be used in the immediate future or in case such installations will in the opinion of the utility work a hardship upon it or its existing consumers the matter shall be referred to the Commission for decision.

No charges shall be made for turning water on or off at any service connection, except that in case a consumer orders service discontinued and later, in the same month, orders service resumed, a charge of fifty cents may be made.

In case service is discontinued before an entire month has elapsed the monthly minimum charge shall be reduced and the consumer billed only for that portion of the month in which service was furnished. In case the meter readings indicate a larger bill than the prorated monthly minimum the consumer shall be billed in accordance with the meter readings.

I submit the following form of order:

#### **ORDER.**

Baldwin Park Chamber of Commerce having made complaint in the above entitled proceeding, and Baldwin Park Domestic Water Company having made application for permission to increase rates, a public hearing having been held, briefs having been submitted and being fully informed in the matter, I hereby find as a fact, that the rates now charged by Baldwin Park Domestic Water Company for water delivered to consumers in Baldwin Park and vicinity are unjust and unreasonable in so far as they differ from the rates set forth in this order and that the rates so set forth are just and reasonable rates to be charged for such service, and basing the order on the foregoing finding of fact and upon the statements of fact contained in the opinion preceding the order;

*It is hereby ordered*, that Baldwin Park Domestic Water Company be and the same is hereby authorized and directed to file with the Railroad Commission within twenty days from the date of this order and

thereafter charge the following rates for water delivered to consumers in Baldwin Park and vicinity, effective for all meter readings subsequent to the date of this order:

**Monthly Minimum Charges.**

2-inch meters -----	\$1 25
3-inch meters -----	1 50
4-inch meters -----	1 75
1½-inch meters -----	2 00
2-inch meters -----	2 50
3-inch meters and larger -----	3 00

**Meter Rates.**

From 0 to 500 cubic feet, per 100 cubic feet -----	\$0 25
From 500 to 1000 cubic feet, per 100 cubic feet -----	0 20
From 1000 to 2000 cubic feet, per 100 cubic feet -----	0 15
Over 2000 cubic feet, per 100 cubic feet -----	0 0425

*And it is hereby further ordered*, that Baldwin Park Domestic Water Company file with this Commission within thirty days from the date of this order revised rules and regulations in which shall be embodied the general principles set forth in the preceding opinion;

*And it is hereby further ordered*, that Baldwin Park Domestic Water Company shall immediately discontinue the practice of arbitrarily adding overhead percentages of any character to capital charges;

*And it is hereby further ordered*, that within sixty days from the date of this order meters shall be installed on all service pipes furnishing water to S. M. Walker for either domestic or irrigation purposes and that thereafter all water supplied to S. M. Walker shall be accurately measured and charged against him on the books of the utility;

*And it is hereby further ordered*, that upon presentation of proper evidence of payment for any extension of main, or the installation of any service pipe and meter for which the consumer has not received proper reimbursement, in cash or in water consumed, Baldwin Park Domestic Water Company shall make refund of such payments in monthly credits on water bills at the rate of one-tenth of the bills for water consumed. Exception is made, however, of payments made for piping for subdivisions of real estate.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-second day of October, 1919.

## DECISION No. 6791.

IN THE MATTER OF THE APPLICATION OF THE MERCHANTS  
TRANSPORTATION COMPANY FOR INCREASE OF CERTAIN  
RATES.

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Application No. 5046.

Decided October 24, 1919.

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BY THE COMMISSION.

**ORDER.**

Applicant is engaged in the transportation of freight, largely food products, between points located in the so-called Delta District of the San Joaquin-Sacramento rivers and marketing terminals including Sacramento, Stockton, and San Francisco. The present service was initiated in July, 1919, at which time applicant filed schedules of rates based as nearly as could be estimated upon operating costs then existing, since which time slight increases have been made in the rates for the transportation of potatoes and onions. Upon actual tests applicant has now ascertained that the rates shown in its schedules originally filed, in a way experimental and tentative, are not sufficient to guarantee the proper maintenance of its service and meet the operating costs, which have materially increased.

Subsequent to August 1, this applicant and others engaged in transporting freight by boat along the River and Delta regions, materially increased wages of their employees. The companies which have made no readjustment of wages have either discontinued service entirely or are operating with a limited number of boats. As a result, quantities of perishable tonnage of the kind ordinarily carried by applicant have accumulated and there is now a great necessity for its movement into market before the rainy season commences.

At the present time, transportation facilities are scarce in the district served by applicant, only a part of the normal accommodations being now available. Applicant claims that its facilities can not reasonably be continued in the transportation of said foodstuffs and other commodities at the rates now carried in its schedules. Shippers are entirely willing to pay, and are now paying, for similar transportation, rates equally as high as those proposed by applicant, which proposed rates appear, under conditions existing, to be just and reasonable.

This application covers an emergency matter which can not await the time necessary for a public hearing, and the rates appearing to be reasonable, the application should be granted.

*It is hereby ordered*, that Merchants Transportation Company be and the same hereby is authorized to publish and file within twenty days



new tariffs, in accordance with the proposed rates set forth in detail in the application.

Dated at San Francisco, California, this twenty-fourth day of October, 1919.

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DECISION No. 6792.

IN THE MATTER OF THE APPLICATION OF BLACK DIAMOND WATER COMPANY, A CORPORATION, FOR AN ORDER OF THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA, AUTHORIZING APPLICANT TO INCREASE ITS RATES AND CHARGES FOR WATER FURNISHED TO ITS CONSUMERS.

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Application No. 4787.

Decided October 25, 1919.

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OPERATING EXPENSES—EXTRAORDINARY INCREASES IN.—When it is shown that a water utility is required to operate a barge, at considerable expense, in order to secure its necessary water supply due to unavoidable conditions affecting its usual source of supply, an additional surcharge is made effective to cover such extraordinary increase in operating expense.

*B. D. Marx Greene*, for Applicant.

*R. N. Wolfe*, city attorney, for city of Pittsburg.

*W. C. Whittlaid*, for Consumers.

BY THE COMMISSION.

**SUPPLEMENTAL OPINION.**

On September 30, 1919, this Commission made its order (Decision No. 6688) in the above entitled proceeding, authorizing and directing the Black Diamond Water Company to add a temporary surcharge of fifteen per cent to all its tolls and charges in order to care for the emergency expense which it was estimated would be incurred in operating a barge for delivering fresh water to the system during the period of low flow of the river, when the water at the intake becomes brackish.

It was further ordered in this decision that monthly statements be filed with the Commission setting forth in detail the operating expenditures and revenues.

In rendering said decision, it was estimated from available data that the expense of operating this barge for a period of three months would be \$6,000, of which amount \$1,800 was included in the annual charges which the rates heretofore established by the Commission were designed to produce.

Due to the unusually low flow of the Sacramento River this season, the water has been so saline as to be unfit for human consumption for a period much longer than the estimated three months for which pro-

vision was made in establishing the rate schedule set out in Decision No. 6688. Present conditions indicate that it will be necessary to continue the operation of the barge until at least November 15, which will entail largely increased expenditures.

The following is a compilation from the statement of operating expenditures and revenue submitted by the applicant showing the cost of operating the barge the past three months, also the gross revenue produced by the rates in effect during this period:

Month	Operating revenue without surcharge	Operating expenses of barge
July, 1919	\$2,114 79	\$827 20
August, 1919	2,122 40	2,385 28
September, 1919	2,058 95	2,261 95
<b>Totals</b>	<b>\$6,326 64</b>	<b>\$5,474 46</b>

The surcharge collected for September totaled \$309.75. Using the actual operating expenses as a basis, it is estimated that the total expense incurred for operating this barge to the middle of November will be about \$9,000, and it would take approximately two and one-half years to recoup this one season's barge expense, if the 15 per cent surcharge now in effect is continued. It is evident that this condition will be unreasonable inasmuch as it will probably be necessary to again operate the barge next season.

Pursuant to Decision No. 6688, applicant has filed a detailed statement of operating expenses and revenues covering the period from July 1 to August 30, 1919, and therewith calls the Commission's attention to the urgent necessity for an increase in the surcharge now in effect.

By Decision No. 6655, rendered September 6, 1919, the property of the Black Diamond Water Company was authorized to be transferred to the Pittsburg Water Company, its successor, and all future proceedings involving this utility will therefore be in the name of Pittsburg Water Company.

In this connection it is to be noted that under the new management the affairs of the company are efficiently conducted, and recently the voucher system of bookkeeping has been introduced and the accounts are segregated in accordance with the uniform system of accounting prescribed by this Commission.

After carefully considering the facts set out herein and the facts introduced at the previous hearings, it appears unnecessary to hold further public hearing. Clearly the surcharge should be increased to provide for the additional emergency expenditure necessitated by the operation of this barge.

It is estimated that the surcharge established in the following order will produce approximately \$800 additional revenue per month:

**SUPPLEMENTAL ORDER.**

Black Diamond Water Company having applied to this Commission for the establishment of a surcharge, and this Commission, by its Decision No. 6688 in the above entitled proceeding, having established a 15 per cent surcharge, and it appearing, upon further investigation, that because of the continued drought conditions the surcharge heretofore established will not produce a fair and just sum to meet this emergency expense;

*It is hereby ordered*, that this Commission's Decision No. 6688, dated September 30, 1919, in so far as it relates to the percentage surcharge to be added to the tolls and charges of Black Diamond Water Company, be and the same is hereby set aside.

*It is further ordered*, that Black Diamond Water Company be and it is hereby authorized and directed to add to all its tolls and charges a surcharge of forty per cent in addition to the tolls and charges computed in accordance with its rate schedule established by this Commission in its Decision No. 6470, dated June 30, 1919, effective for all bills rendered subsequent to the date of this order, and shall file with this Commission within twenty days of the date of this order the above surcharge to supersede the surcharge of fifteen per cent heretofore filed.

*It is further ordered*, that in all other respects Decision No. 6688 shall remain in full force and effect.

Dated at San Francisco, California, this twenty-fifth day of October, 1919.

## DECISION No. 6793.

JOHN J. THOMPSON

vs.

WALTER OGDEN.

Case No. 1332.

Decided October 25, 1919.

EXTENSIONS—WATER SERVICE.—An individual operating a water plant as a public utility is held responsible for the extension of service pipes to consumers residing in the territory which he holds himself out as serving. Defendant directed to construct, at his own expense, such facilities as will provide adequate service to complainant.

*John J. Thompson, in propria persona.*

*Walter Ogden, in propria persona.*

BRUNDIGE, *Commissioner.*

## OPINION.

This is the complaint of John J. Thompson' against Walter Ogden, who, with Walter J. Ogden, is owner of a water plant located on Baker avenue, between Wilcox and Walker streets, on Walker berry and alfalfa tract, near Bell, Los Angeles County, California.

The complaint alleges in effect that said John J. Thompson resides in the territory served by the defendant Ogden, that complainant has made application for service of domestic water and such service has been refused; complainant is thereby greatly inconvenienced by lack of water for household and sanitary purposes and prays that the Railroad Commission order defendant to make connections and furnish water service to him.

A public hearing in this proceeding was held in Los Angeles on July 10, 1919.

It appears that the plant in question was installed originally by one Lafayette A. Walker and, after several changes, the ownership is at the present time vested in Walter Ogden and Walter J. Ogden. The water produced by this plant is used both for irrigation and domestic purposes. To obtain water for either such purpose it has been necessary for consumers to construct pipe lines, at their own expense, to the boundary of the farm property upon which the pumping plant is located. At the time of the hearing, the plant consisted of a well somewhat more than four hundred feet deep, from which the water is drawn by an air lift system into a low tank of small capacity. The distribution from this plant is through terra cotta, concrete, and steel pipes, which extend only to the property lines of defendant's farm.

At the hearing it was shown that complainant Thompson resides on property owned by himself and located in the Walker berry and alfalfa tract; that he has obtained his water for domestic uses from the pipe line of a consumer of this utility; that he has given payment to the defendant for this water; that it is necessary for him to transport the water so obtained to his own premises by means of receptacles; and that he is financially unable to construct a pipe line from the property of defendant to his own premises. Defendant Ogden asserts that he considers the utility, of which Walter J. Ogden and himself are owners, is responsible for the water supply for the residents of the Walker berry and alfalfa tract, but does not feel obliged to deliver water beyond the limits of his own farm. Service of the nature described above is obviously unsatisfactory.

After carefully considering all of the facts submitted, it appears that defendant Ogden is responsible for the delivery of water to complainant herein, and I shall recommend that he be directed to install facilities for this purpose.

I submit herewith the following form of order:

#### ORDER.

John J. Thompson, having filed complaint as entitled above, a public hearing having been held, and the Commission being fully informed in the matter;

*It is hereby ordered*, that the defendant, Walter Ogden, proceed to install, at his own expense, such facilities as will provide reasonable and adequate service to complainant John J. Thompson.

Dated at San Francisco, California, this twenty-fifth day of October, 1919.

## DECISION No. 6794.

IN THE MATTER OF THE APPLICATION OF PACIFIC STEAMSHIP COMPANY FOR AN ORDER AUTHORIZING INCREASE IN FREIGHT RATES BETWEEN SAN FRANCISCO, WILMINGTON, LOS ANGELES, SAN DIEGO AND INTERMEDIATE POINTS.

Application No. 4986.

Decided October 27, 1919.

STEAMSHIP RATES—INCREASES IN.—Due to large increases in all items of expense connected with applicant's business which have caused it to be operating at a considerable loss, and if continued would require the entire suspension of such service, permission is granted to put into effect an increased schedule of class and commodity rates on shipments moving between San Francisco, Los Angeles, San Diego and intermediate points.

*McCutchen, Willard, Mannon and Greene*, by *Farnum Griffiths*, for Applicant.

*H. A. Enecll*, for E. S. Rigdon of San Simeon and Cayucos.

*John S. Willis*, for San Francisco Chamber of Commerce.

LOVELAND, *Commissioner*.

## OPINION.

The Pacific Steamship Company, applicant herein, is a common carrier of freight and passengers between points located within the State of California, of interstate traffic between California ports and ports north of the state line to and including Alaska, and also operates vessels on behalf of the United States Shipping Board. The territory served by this applicant was formerly covered by the vessels of Pacific Coast Steamship Company, which company retired November 1, 1916, because of the situation developed by the war necessities.

The principal ports reached by applicant in California between which it seeks to increase its freight rates under this application are San Francisco, Los Angeles, Wilmington and San Diego. The present rates are published in P. S. E. Co. Freight Tariffs 30-A, C. R. C. No. 16, 33-B, C. R. C. No. 18, and 32-C, C. R. C. No. 17, while the proposed rates are set forth in Exhibits "A," "B" and "C," attached to and made part of the application. The latter tariff also carries rates between the local ports of San Francisco, Santa Cruz, Monterey, San Luis Obispo and Santa Barbara on what is known as the Narrow Gauge Route, covered by a separate application (No. 4987), therefore no consideration will be given the Narrow Gauge rates in this proceeding. All of the rates here under consideration became effective June 25, 1918, and were increased at the competitive points on that date by approximately 25 per cent. to conform with the advances made by the Director General of Railroads under his General Order No. 28.

The principal increases now proposed are  $2\frac{1}{2}$  cents per 100 pounds in all of the class rates between Los Angeles and San Francisco; 5 cents per 100 pounds in the class rates between Los Angeles and San Diego; 4 cents per 100 pounds in class rates between San Francisco and Wilmington, and an increase in all of the class rates between San Francisco and San Diego to the basis of the proposed rates between Los Angeles and San Francisco, the increases in the San Diego class rates ranging from  $5\frac{1}{2}$  cents to 16 cents per 100 pounds. Some of the commodity rates between Los Angeles and San Francisco are also advanced, the changes affecting the important commodities to the extent of from  $1\frac{1}{2}$  cents to 5 cents per 100 pounds.

Applicant bases its request for the higher rates upon the increased operating costs, particularly in the items of fuel oil, wages of longshoremen, crews, officers and shop employees, insurance, maintenance of freight and ticket offices, provisions, supplies and laundry. A number of exhibits are attached to the application setting forth in detail the financial condition of the company, its operating revenue and expenses and the value of the steamers employed in the California territory.

Applicant, in its domestic traffic, operates a fleet of some twenty vessels, ranging in capacity from the Steamer Homer with 501 tons to the Steamer Governor with 5474 gross tons register.

The book value of petitioner's vessels used in intrastate service over the San Francisco-San Diego route, exclusive of the Steamer Homer, as of July 31, 1919, was as follows:

Dewey	\$418,111 32
Farragut	422,258 37
Governor	1,458,298 36
President	1,408,309 67
Queen	344,238 05
Schley	418,548 71
Spokane	309,509 83
Total	\$4,779,574 31

With the exception of the steamer Spokane, which operates exclusively between San Francisco and Wilmington, these vessels are used between Seattle and San Diego handling intrastate tonnage in connection with the through traffic. In addition to the investment in steamers, as set forth in the application, petitioner also owns other property engaged in the service, such as docks, terminal equipment and office furniture, but in view of the fact that the changes in rates contemplate no revenue for return upon investment, it will not be necessary for the benefit of this proceeding to require a valuation of the entire property.

Exhibit "E," attached to the application, sets forth that for the seven months ending July 31, 1919, the Puget Sound-Southern California Route, south of San Francisco, had a gross revenue of \$1,013,121.77 and an operating expense, including insurance and depreciation but exclusive of taxes, of \$1,179,585.06, leaving net earnings (deficit) of \$166,463.29, a ratio of operating expenses to earnings of 116.43 per cent.

In another statement it is shown that the average loss per month for the entire property during the first seven months of 1919 was \$70,717.73 and it is estimated the monthly loss under the increased operating expenses assumed on August 1, 1919, because of increases in wages will, under the present rates, result in an average monthly loss of \$169,028.12.

Taking the property as a whole, applicant alleges that its total losses for the seven months ending July 31, 1919, were \$495,024.14, and that its estimated losses for the five months ending December 31, 1919, will be \$845,140.60, making a total estimated loss for the year 1919, of \$1,340,164.74. It is also estimated that, under the present rates and the increased wage schedule effective August 1, 1919, the loss for one year covering the entire property will total \$2,028,337.14 (includes state, interstate and foreign).

Exhibit "F" compares operating costs for the months of July-August, 1918, with July-August, 1919, and without going into a complete review of this exhibit it will suffice to call attention to the more important changes and average increases, viz, fuel oil from 21 per cent per barrel at San Francisco to 148 per cent per barrel at San Pedro. These radical increases were caused by the expiration of old oil contracts entered into several years ago when the price of this commodity was low. Longshoremen's wages were increased 25 per cent; the wages of crews and officers show increases ranging from 13.56 per cent in the purser's department to 27.22 per cent in the engineer's department; office expenses show various increases ranging from 20.60 per cent to 43.97 per cent and the cost of provisions from 3 per cent to 27 per cent.

As illustrative of the changes in wages the testimony shows that on the Steamer Queen the master was increased from \$275 to \$343 and the chief engineer from \$225 to \$318 per month. The longshoremen's wages have been advanced from 80 cents to \$1 per hour and their overtime pay from \$1.20 to \$1.50 per hour.

A check was made in connection with the Steamer Spokane, operating exclusively between San Francisco and Wilmington, and it was found, with a freight revenue of \$158,609, that the stevedoring of the freight costs \$85,146, or a ratio of 53.7 per cent.



Exhibit "G," an estimate of the increased operating expenses for a seven-months' period under the advanced costs effective August 1, 1919, shows the following:

Wages, deck department-----	\$8,217 59
Overtime, handling cargo, deck department-----	4,222 50
Other overtime, deck department-----	2,074 53
Wages, engineers' department-----	8,015 72
Overtime, engineers' department-----	1,711 88
Wages, stewards' department-----	9,794 15
Wages, pursers, freight clerks, etc.-----	1,110 03
Overtime, stewards' department-----	3,522 48
Provisions-----	10,304 46
Stevedoring freight-----	67,217 25
Stevedoring, baggage-----	1,142 15
Stevedoring, sorting, piling, etc.-----	523 30
Board money-----	1,144 75
Total-----	\$119,000 79

This exhibit is intended to illustrate that had the wages, etc., made effective August 1, 1919, been in effect January 1, 1919, the loss on California intrastate traffic for the seven months ending July 31, 1919, instead of being \$166,463.29, would have been \$285,464.08, without considering the pro rata of overhead expenses, which, if added, would have made a total loss in excess of \$300,000.

The total freight traffic handled between the intrastate points covered by this application for the year 1918 was 157,626 tons. During the first six months of the year 1919 the tonnage carried was as follows:

San Francisco and interior points, via Wilmington-----	11,450 tons
San Francisco and Los Angeles-----	48,356 tons
San Francisco and San Diego-----	13,370 tons

A total of 73,176 tons, indicating that the grand total for the year 1919 will be somewhat less than that handled in the year 1918.

A witness for applicant estimated that the increases in freight rates would add approximately \$150,000 per annum to the gross revenue; he explained further that the rates on some commodities have not been increased at all, for the reason that the present rates are so close to the rates being assessed by the competing railroads any further increase in the steamship rates would result in a loss of tonnage.

Another witness for the company testified that other and further relief was being sought through application made to the Interstate Commerce Commission and the United States Shipping Board, but that the continual increases in operating costs has placed the coastwise steamship lines in a very precarious situation, due to the short haul traffic and the frequent and expensive handling of the freight. In his opinion, unless conditions improve, or another increase in rates, predicated upon an increase in the expected advance in rail rates, is secured, the operations of these steamers cannot be maintained.

Commercial organizations at San Francisco, Los Angeles, San Diego, Santa Cruz, Monterey and Santa Barbara were notified of the hearing to be held in this proceeding; notices were published in the daily press of the three first named cities; posted on applicant's wharves at Moss Beach, San Simeon, Cayucos, Port San Luis and Wilmington, but notwithstanding this publicity no one except a representative from San Simeon-Cayucos appeared in opposition, and the interest manifested by San Simeon and Cayucos was directed against a discontinuance of the service rather than the volume of the rates. The San Francisco Chamber of Commerce and the Associated Jobbers of Los Angeles announced, through their authorized representatives, that upon the showing made they could offer no opposition to the applications being granted.

The instant application is one of four (Nos. 4963, 4986, 4987, 4988) heard together October 9, with the stipulation that relevant testimony would be used in connection with the different applications, and in view of the fact that the financial situation is reviewed in this opinion, the details will not be repeated in the opinions and orders in the other three proceedings.

From all the exhibits and testimony presented in connection with this proceeding, the conclusion is inevitable that applicant must have additional revenue to enable it to continue its business and maintain a service that will meet the requirements of the traveling and shipping public.

I find as a fact that the present freight rates are unremunerative and that the rates proposed in Exhibits "A," "B" and "C," attached to and made part of the application, are just and reasonable.

I recommend that the application be granted and submit the following form of order:

#### ORDER.

Public hearing having been held in the above entitled proceeding, testimony having been presented, the case having been submitted for decision and the Railroad Commission having reached the conclusion that the rates now being charged are unjust and unreasonable;

*It is hereby ordered*, that the Pacific Steamship Company be authorized to establish within twenty days from the date of this order the increased rates as set forth in Exhibits "A," "B" and "C" attached to and made part of this application, which rates are found to be just and reasonable.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-seventh day of October, 1919.

## DECISION No. 6795.

IN THE MATTER OF THE APPLICATION OF THE PACIFIC STEAMSHIP COMPANY, A CORPORATION, FOR AN ORDER AUTHORIZING INCREASE IN LOADING CHARGES AT SAN FRANCISCO, CALIFORNIA.

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Application No. 4988.

Decided October 27, 1919.

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*McCutchen, Willard, Mannon and Greenc*, by *Farnum Griffiths*, for Applicant.  
*John S. Willis*, for the San Francisco Chamber of Commerce.

LOVELAND, *Commissioner*.

## OPINION.

This is an application by the Pacific Steamship Company under section 63 of the Public Utilities Act for authority to increase the charges assessed for loading freight into cars at San Francisco. The present rates are published in Terminal Tariff P. S. S. Co. No. 17-B, C. R. C. No. 22, effective February 15, 1919.

Without setting forth all of the specific charges, it will suffice to state that the application contemplates increasing the rates from 35 cents to 60 cents per ton on beans, canned goods, flour, potatoes, onions and similar commodities; from 30 to 40 cents per ton on fertilizer and wheat; from 80 cents to \$1 per hour per man for loading bulky articles, such as structural iron, machinery and household goods; from 80 cents to \$1 per 1000 feet for lumber, and from 50 to 75 cents per ton for loading freight not otherwise specified.

It was stipulated at the hearing, October 9, that the testimony introduced in Applications Nos. 4963, 4986 and 4987 would apply to this application. The four applications were heard together, the three last mentioned dealing with the freight and passenger rates of the Pacific Steamship Company and the testimony presented in connection with all four proceedings was, in the main, directed to the point that the rapid increase in all operating expenses, particularly the cost of labor, had been so great in the past two years as to bring about actual losses in the operation of applicant's coastwise steamers. The financial results are dealt with in the opinions and orders covering the other three cases; it will, therefore, not be necessary to repeat the details here.

Prior to December 24, 1918, the loading charge on such commodities as beans, canned goods, flour, potatoes and onions was 25 cents per ton of 2000 pounds. Effective December 24, 1918, this rate was increased to 35 cents per ton, the increase authorized being based upon applicant's showing that the pay of its stevedores had been advanced from 65 cents to 80 cents per hour, with overtime at the rate

of \$1.20 per hour. Effective August 1, 1919, the stevedores pay was increased from 80 cents to \$1 per hour, with overtime pay at the rate of \$1.50 per hour.

The advancing of stevedores wages made necessary a corresponding increase in the pay of other employees, such as superintendents and clerks, and applicant alleges and shows by exhibits and the testimony of witnesses that the service performed in handling freight over the San Francisco wharves is done at a loss. The proposed rates are lower than are being assessed by the stevedoring firms at San Francisco not under the jurisdiction of this Commission and the rates of federal controlled railroads, performing similar services at San Pedro and Wilmington are higher for some commodities than the rates proposed in this application for San Francisco. At San Pedro and Wilmington the rate for fertilizer and wheat is 55½ cents per ton as against the proposed rate of 40 cents at San Francisco; lumber is \$1.20 per 1000 feet as against the proposed rate of \$1.

The general public and interested shippers were notified of the proceeding, but there was no opposition. The San Francisco Chamber of Commerce entered an appearance and at the conclusion of the hearing its representative stated that upon the showing made it could offer no objection to the increases requested.

I am of the opinion and find that in view of the unusually high operating costs now obtaining the rates at present in effect are unremunerative, that the rates proposed are reasonable, and that the application should be granted.

I submit the following form of order:

#### ORDER.

Public hearing having been held in the above entitled proceeding, testimony having been presented, the case having been submitted for decision and the Railroad Commission having reached the conclusion that the rates now being charged are unjust and unreasonable;

*It is hereby ordered*, that the Pacific Steamship Company be authorized to establish within twenty days from the date of this order the following rates, which are found to be just and reasonable:

#### Loading Charges at San Francisco.

The following charges will be assessed at San Francisco, for loading freight into cars.

(See Notes 1 and 2.)

Beans and peas, box shook, canned goods, feed, flour, grain (not otherwise specified), malt, meal (oil cake and bean), ore in sacks, paper, potatoes and onions, shakes, shingles, staves and headings, tallow, tin plate, 60 cents per 2000 pounds.

Fertilizer (in packages), 40 cents per 2000 pounds.

Wheat (in sacks), 40 cents per 2000 pounds.

Empty barrels and drums, 5 cents each.

Car wheels, 40 cents per 2000 pounds.

Iron and steel articles (bar, rod, plate, structural and pipe), machinery, household goods, marble slabs, \$1 per man per hour for each man employed.

Lumber, \$1 per 1000 feet, board measure.

All other freight, 75 cents per 2000 pounds.

NOTE 1. Actual cost will be charged for all dunnage or bracing used in loading cars, also for paper used when it is necessary to line cars. One dollar per man per hour employed will also be charged for the time consumed in placing dunnage, bracing and lining.

NOTE 2.—Freight in gondola cars or bulk cargo will be handled only by special contract, and when so handled the charge for loading to or unloading from cars will be actual cost plus 15 per cent.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-seventh day of October, 1919.

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DECISION No. 6796.

IN THE MATTER OF THE APPLICATION OF PACIFIC STEAMSHIP COMPANY FOR AN ORDER AUTHORIZING INCREASE IN FREIGHT RATES AT SAN FRANCISCO, SANTA CRUZ, MOSS LANDING, MONTEREY, SAN SIMEON, CAYUCOS, PORT SAN LUIS AND SANTA BARBARA ON ITS SO-CALLED NARROW GAUGE ROUTE SERVED BY THE STEAMER HOMER.

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Application No. 4987.

Decided October 27, 1919.

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*McCutchen, Willard, Mannon and Greene*, by *Farnum Griffiths*, for Applicant.

*H. A. Encell*, for E. S. Rigdon of San Simeon and Cayucos.

*John S. Willis*, for San Francisco Chamber of Commerce.

LOVELAND, *Commissioner*.

**OPINION.**

The Pacific Steam-ship Company by this application seeks authority under section 63 of the Public Utilities Act to increase all class rates and certain commodity rates applying on what is known as the Narrow Gauge Route, served by its steamer Homer. The principal ports reached by this vessel are San Francisco, Santa Cruz, Moss Landing, Monterey, San Simeon, Cayucos, Port San Luis and Santa Barbara.

The application as originally presented also sought authority to discontinue entirely the serving of San Simeon and Cayucos. At the hearing, held in San Francisco October 9, 1919, objections were made to the discontinuance of the service at San Simeon-Cayucos, and a stipulation was entered into between interested attorneys to the effect that the application now under consideration be amended, eliminating any reference to San Simeon and Cayucos, the adjustment as to the service

and rates at these two points to be arranged informally, if possible; otherwise, an entirely new application would be presented.

The increases proposed range from 40 cents to \$1.70 per ton in the class rates and from 20 cents to \$1 per ton in the commodity rates, the average being about 50 cents per ton. The rates now being assessed are carried in Local Freight Tariff P. S. S. Co. No. 32-C, C. R. C. No. 17, which tariff has been in effect since June 25, 1918.

But one steamer, the Homer, valued at \$25,000, is used in this coast-wise traffic; in addition, applicant uses other properties, such as docks, terminal equipment and office furniture, the value of which is not set forth in the application or in any of the exhibits.

During the first seven months of the year 1919 a total of approximately 21,000 tons were handled north and southbound. The traffic is seasonable, consisting, to a great extent in the northbound movement, of beans, grain and canned fish and as a result there is a short period during the year when more cargo is offered than can be handled by the vessel; at other seasons the vessel is moved between the ports with very meager loads. Within the seven months ending July 31, 1919, the Homer made 37 voyages, with gross earnings of \$62,406.21 and direct operating expenses, of \$82,562.61, showing a net loss of \$20,156.40, without taking into consideration any overhead expenses. If to this latter amount is added \$7,929.58 as overhead expense, based on the ratio of the gross earnings, the total net loss for the first seven months of the year 1919 becomes \$28,085.98.

At the time the rates now being assessed became effective, that is, on June 25, 1918, stevedores were receiving 65 cents per hour. These wages were increased December 24, 1918 to 80 cents per hour, with overtime at the rate of \$1.25 per hour and, effective August 1, 1919, to \$1 per hour, with overtime at \$1.50 per hour. The testimony shows that on the average business of applicant the cost of stevedoring absorbs 53.7 per cent of the total freight revenue.

The compensation of practically all employees on this steamer has been increased within the last few months; a comparison of the May and August, 1919, pay rolls discloses the following totals: Deck department—May, \$1,197.50, August, \$1,530, increase 28 per cent; Engineer's department—May, \$675, August, \$830, increase 23 per cent; Purser's department—May, \$110, August, \$125, increase 13½ per cent; Steward's department—May, \$165, August, \$195, increase 18½ per cent; total pay roll of officers and crew, May, \$2,147.50, August \$2,680, average increase 24.8 per cent.

The overtime paid also shows a substantial increase, as does the cost of furnishing meals. Formerly crews were allowed \$1.50 per day per man for meals when the vessel was in port and the dining department

not in operation; this allowance has been increased to \$2 per day per man. Other operating expenses have advanced, particularly fuel oil. During the year 1918 the company was still securing some of its oil under old contracts; these contracts have since expired and the oil is now purchased in the open market at increased costs, ranging as high as 148 per cent.

This application is one of four (Nos. 4963, 4987, 4988) heard together October 9 under a stipulation that the entire testimony, or any part, would, when relevant, be considered as applying to any of the applications. Since the opinions in Applications Nos. 4963 and 4986, rendered today, enter into complete details of this applicant's increasing operating costs, it is unnecessary to here deal further with the subject.

The proposed rates will be insufficient to meet the increased operating costs, and a witness for applicant frankly stated that were it not for the fact that a contract exists between the steamship company and the Pacific Coast Railway in connection with through traffic at Port San Luis and the hope that conditions will change for the better in the near future, they would now be giving serious consideration to the entire discontinuance of the service. As heretofore stated, the increases are only against certain commodities; the rates on other commodities remain unchanged, this for the reason that many rates now approximate those of the rail competitors and any further increases by the steamer line would result in diverted tonnage, with a loss of revenue to this applicant. The relief herein requested is entirely an emergency matter, brought about by the advances in all operating expenses.

I am of the opinion that the present rates are unremunerative and that the rates proposed, as set forth in Exhibit "A" attached to the application, are just and reasonable. I therefore recommend that the application be granted.

#### ORDER.

Public hearing having been held in the above entitled proceeding, testimony having been presented, the case having been submitted for decision and the Railroad Commission having reached the conclusion that the rates now being charged are unjust and unreasonable;

*It is hereby ordered*, that the Pacific Steamship Company be authorized to establish within twenty days from the date of this order the increased rates as set forth in Exhibit "A," attached to and made part of this application, which rates are found to be just and reasonable.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-seventh day of October, 1919.

## DECISION No. 6797.

IN THE MATTER OF THE APPLICATION OF PACIFIC STEAMSHIP  
COMPANY FOR AN ORDER AUTHORIZING INCREASES IN PASSEN-  
GER FARES AND BAGGAGE RATES.

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Application No. 4963.

Decided October 27, 1919.

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*McCutchen, Willard, Mannon and Greene*, by *Farnum Griffiths*, for Applicant.  
*John S. Willis*, for San Francisco Chamber of Commerce.

LOVELAND, *Commissioner*.

## OPINION.

This is an application by Pacific Steamship Company under section 63 of the Public Utilities Act, for an order of the Railroad Commission granting authority to increase passenger fares and excess baggage rates between San Francisco and Wilmington, Long Beach, Los Angeles and San Diego; between San Francisco and Eureka, and between San Diego and Long Beach, Los Angeles and Wilmington. The passenger fares are to be increased between San Francisco and the southern California points in amounts from \$1 to \$4 and between San Diego and Long Beach-Los Angeles in amounts from 50 cents to \$1; between San Diego and Wilmington by 50 cents, and between San Francisco and Eureka in amounts from \$1 to \$1.50, depending upon the class of accommodations.

The increase in excess baggage rates are nominal, ranging from 2 cents to 59 cents per 100 pounds. The total increase in revenue is estimated at 15 per cent.

The fares and excess baggage rates now in effect are published in Pacific Steamship Company's Local and Joint Passenger Tariff No. 5, C. R. C. No. 38, and became effective January 8, 1919. These passenger fares include berth and meals and are graded according to the stateroom occupied by traveler. The proposed rates are materially lower than the fares of rail line competitors when consideration is given to the fact that the steamship company includes in its passenger fare sleeping accommodations and meals. A witness for applicant stated that in compiling the proposed rates they were made as close to those of their rail competitors as could be maintained and still secure business.

At the hearing held on October 9, 1919, it was stipulated that the testimony presented in connection with the increases in freight rates would apply with equal force to the application involving increases in passenger and excess baggage rates. Operating costs have steadily increased since the present rates were established in January, 1919, and as this proceeding presents the same need for additional passenger revenue as was shown in Pacific Steamship Company's application for



an increase in freight rates, it will not here be necessary to again discuss the details of the advances in operating costs.

The relief herein sought is brought about by the rapid advances in operating expenses without a corresponding increase in gross revenue, and the necessities of the situation are the same in this application as those set forth in the opinion and order in Application No. 4986.

I am of the opinion, upon the testimony and exhibits presented at the joint hearing, that the present passenger rates are non-compensatory and that applicant has fully and completely demonstrated the need for greater passenger revenue.

The application should be granted and I present the following form of order:

#### ORDER.

Pacific Steamship Company having applied to this Commission for authority to increase one-way fares and baggage rates between California points, a hearing having been held, the matter having been submitted and being now ready for decision;

*It is hereby found as a fact*, that applicant's present one-way passenger fares and baggage rates, in so far as they conflict with the fares and rates set forth hereinafter, are unjust, unreasonable and noncompensatory, and that the said fares and rates hereinafter prescribed are just and reasonable.

Basing its action upon said finding of fact and upon other facts and statements contained in the opinion preceding this order;

*It is hereby ordered*, that Pacific Steamship Company be and the same is hereby authorized to publish and file within twenty days from date hereof passenger fares and excess baggage rates as prayed for in Exhibit "A" of the application and in accordance with the following schedule:

Table of One-Way Fares.

	(Accommodations as described in Exhibit A)							Children's fares of 2 and under 5 years of age
	A1	A2	B1	B2	C1	C2	D	
Between San Francisco and—								
Wilmington .....								
Long Beach .....								
Los Angeles .....								
Between San Francisco and—								
San Diego .....	31 00	28 00	22 00	20 00	19 00	19 00	14 00	3 00
Between San Diego and—								
Long Beach .....								
Los Angeles .....	7 00	7 00	4 00	4 00	4 00	4 00	3 00	50
Wilmington .....			3 50	3 50	3 50	3 50		
Between San Francisco and—								
Eureka .....					9 00	9 00	6 00	1 50

Table of Excess Baggage Rates—Per 100 Pounds.

Between	San Diego	Wilmington	Los Angeles-Long Beach	San Francisco	Eureka
San Diego -----		\$0 72	\$0 72	\$3 09	\$5 09
Wilmington -----	\$0 72		25	2 87	4 87
Los Angeles-Long Beach -----	72	25		2 87	4 87
San Francisco -----	3 09	2 87	2 37		2 00
Eureka -----	5 09	4 87	4 37	2 00	

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-seventh day of October, 1919.

DECISION No. 6798.

IN THE MATTER OF THE APPLICATION OF CLAREMONT DOMESTIC WATER COMPANY FOR A FAIR AND JUST CHARGE TO THE SEVEN IRRIGATORS SUPPLIED UNDER THE C. T. NAFTEL CONTRACT ON FILE WITH THE RAILROAD COMMISSION.

Application No. 4090.

Decided October 27, 1919.

**CONTRACT RATES—WATER SERVICE.**—The Railroad Commission recognizes a contract between a public utility water company and a limited number of its consumers whereby the utility agrees to furnish such consumers water at cost in consideration for the right to develop water on property belonging to such consumers, and upon application of the utility fixes the rate to be paid for such service in accordance with the cost thereof.

*E. H. Sanford*, for Applicant.

*A. P. Nichols* and *J. A. Anderson*, for water consumers.

*BRUNDIGE*, Commissioner.

**OPINION.**

This proceeding is brought by the Claremont Domestic Water Company, hereinafter referred to as "applicant," which asks for the establishment of a fair rate schedule to be charged by it for water delivered for irrigation to certain of its consumers, seven in number, who receive their supply under the so-called "C. T. Naftel contract." Applicant alleges that the present rate charged these consumers is noncompensatory, and prays that this Commission authorize it to charge a fair and just rate.

In addition to the seven consumers referred to above, service is rendered by it to a large number of domestic consumers within the city

limits of Claremont, and to irrigation consumers in the territory adjacent thereto. The rates now in effect are those established by this Commission in its Decision No. 1677 in Application No. 1142, being an application of Claremont Domestic Water Company for an order authorizing an advance in rates. (Vol. 5, Opinions and Orders of the Railroad Commission of California, p. 116.) In this decision rates for domestic and irrigation service were established.

It appears that in October, 1908, C. T. Naftel and the Citizens Light and Water Company, applicant's predecessor in interest, executed a contract. By the terms of this contract C. T. Naftel gave the Citizens Light and Water Company the right to develop water in the northeast quarter of the southeast quarter of section thirty-three, township one north, range eight west, S. B. M., in the county of Los Angeles, in such quantities as it desired. Naftel, however, retained the right to develop sufficient water for use on the tract.

The Citizens Light and Water Company desired this right in order to protect its water supply and to obtain additional sources. In return for this right the Citizens Light and Water Company agreed to sink a 14-inch well on the tract in question and to furnish water for irrigation to Naftel at cost. The contract more particularly defines "cost" as follows:

\*\*\* agrees to furnish \*\*\* sufficient water to properly irrigate the said forty acres hereinbefore described, and supply the same with water for domestic use at whatever may be determined to be the actual cost of pumping the water from said well, taking into consideration the engineer's salary, depreciation, and all items of expense in connection with the operation of the plant. Said cost of water shall be determined and agreed upon by the parties hereto after the plant is installed and tested, and the agreement so reached shall be embodied in a five-year contract, the same to be readjusted and agreed upon after each five years period.

At the hearing in this proceeding, representatives of applicant and of the consumers affected by this contract agreed that the terms of the contract should apply, and a rate be established in accordance therewith. I am of the opinion that a rate established by this method will be fair to both applicant and its consumers.

It then remains to determine what items should be included and in what amount. Clearly the direct expenses of operating the plant, such as power, oil, repairs and labor, should be included. The principal objection advanced at the hearing was against the inclusion of the expense of maintaining applicant's down town office, and taxes.

The operating force of applicant, including the superintendent, pump men, and down town office employees, devote a part of their time to the operation of the plant which delivers water to the consumers affected herein, and a part to other consumers. It is impossible to accurately segregate the time devoted to each.

I have given careful consideration to all of the evidence submitted and it appears that only a portion of the down town office expense is

chargeable to the operation of this plant. The actual expense incurred in billing and in keeping necessary records of this plant and its consumers should properly be included.

I am of the opinion that in view of the terms of the contract and the evidence as to the intent of the parties submitted at the hearing, that taxes should be excluded.

A detailed analysis of the reports and evidence submitted has been made and it appears that the total amount which should be produced annually by these consumers is \$2,000, and I find as a fact that this sum is a fair and reasonable amount for this service.

During 1918 the plant was operated a total of 1860 hours for irrigation and 451 hours for domestic service. The average cost per hour's operation was therefore approximately \$1.07.

It was contended at the hearing that there should be a greater charge per hour's operation of this plant for the first five hundred hours than the charge per hour for operation in excess of that amount, and it appears proper that in order to equitably allocate the expense among the consumers, some differentiation should be made.

In addition to the service rendered in delivering water for irrigation, applicant delivers water during the winter months for domestic use. The costs of delivery are included in the above reported sum and it appears impracticable to segregate the charges as between these two services. It is estimated that the rate schedule established in the following order will produce at least the estimated cost of service set out herein.

I submit herewith the following form of order:

#### **ORDER.**

Claremont Domestic Water Company having applied to this Commission for authority to increase its rates charged for the delivery of water to seven consumers under the so-called Naftel contract, and a public hearing having been held and the Commission being fully apprised in the premises;

*It is hereby found as a fact*, that the rates and charges of Claremont Domestic Water Company heretofore charged for delivery of water to consumers under the so-called Naftel contract, in so far as they differ from the rates and charges herein established, are unjust and unreasonable rates, and that the rates and charges herein established are just and reasonable.

And basing its order on the foregoing findings of fact and the further findings of fact contained in the opinion which precedes this order;

*It is hereby ordered*, that Claremont Domestic Water Company be and it is hereby authorized and directed to file with this Commission

within twenty days from the date of this order, and thereafter charge of its consumers receiving water under the so-called Naftel contract, the following rates:

For each hour's operation to and including 100 hours' operation per consumer .....	\$1 20
For each hour's operation over 100 hours.....	90

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-seventh day of October, 1919.

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DECISION No. 6803.

IN THE MATTER OF THE APPLICATION OF PACIFIC GAS AND ELECTRIC COMPANY, A CORPORATION, FOR AN ORDER OF THE RAILROAD COMMISSION AUTHORIZING APPLICANT TO REIMBURSE ITS TREASURY FOR CAPITAL EXPENDITURES AND TO FINANCE THE CONSTRUCTION OF ADDITIONS, EXTENSIONS, BETTERMENTS AND IMPROVEMENTS TO ITS PROPERTIES AS SET FORTH HEREIN.

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Application No. 4980.

Decided October 28, 1919.

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*C. P. Cullen*, for Applicant.

DEVLIN, *Commissioner*.

**OPINION.**

Pacific Gas and Electric Company asks permission to use part of the proceeds from the sale of its first preferred stock, the issue of which has heretofore been authorized by the Railroad Commission, to reimburse its treasury because of earnings expended up to July 31, 1919, to pay for improvements, extensions, additions and betterments, and to use part of the proceeds to pay for the construction of improvements, extensions, additions and betterments subsequent to July 31, 1919.

Applicant reports that on July 31, 1919, there was due it \$2,010.50 on stock sold under the authority granted in Decision No. 3023, as amended, and \$643,473 due on stock sold under the authority granted in Decision No. 6448. In Decision No. 6468, applicant was authorized to issue 35,000 shares of its first preferred stock. It reports the sale of 32,914 shares, on which there was due September 17, 1919, the sum of \$2,814.147, leaving 2086 shares of stock unsold. The aggregate amount due on stock sold is reported by applicant at \$3,459,630.50. Applicant asks permission to use these \$3,459,630.50, when collected, as

well as the proceeds which it will obtain from the sale of 2086 shares of stock, for the purposes above indicated.

In Exhibit "B," applicant reports \$2,818,317.27 expended on capital account. The testimony shows that the \$2,818,317.27 represents net construction expenditures, and that no stock or bonds have been issued against such expenditures.

In Exhibit "C," attached to the petition, applicant reports its estimated expenditures for improvements, extensions, additions and betterments subsequent to July 31, 1919, at \$6,300,317.91.

After reimbursing its treasury from the proceeds of the sale of stock in the amount of \$2,818,317.27, applicant will have available from stock now sold \$641,313.23, to pay for the construction of extensions, additions and betterments subsequent to July 31, 1919. It has authority from the Commission to sell \$208,600 additional first preferred stock.

While recommendation that this application be granted is made, it is with the understanding that the authority herein granted to expend proceeds from the sale of stock, be not interpreted as an approval of applicant's entire construction program, outlined in Exhibit "C," but only an approval of such program to the extent that proceeds are available to pay for construction of improvements, extensions, additions and betterments. It is not necessary to indicate to the company the order in which it shall carry out its construction program referred to in Exhibit "C." Such order should in the first instance be left to the judgment of its officers. Of course, the proceeds from the sale of stock may be used to pay only expenditures on capital accounts as such accounts are defined by the classification of accounts of the Railroad Commission.

Applicant shall file monthly reports showing its entire expenditures for the construction or acquisition of improvements, extensions, additions and betterments.

I herewith submit the following form of order:

#### ORDER.

Pacific Gas and Electric Company having applied to the Railroad Commission for permission to use proceeds from the sale of first preferred stock to reimburse its treasury and to pay construction expenditures, a public hearing having been held, and the Railroad Commission being of the opinion that this application should be granted;

*It is hereby ordered*, that Pacific Gas and Electric Company be, and it is hereby, authorized to use \$2,818,317.27 obtained from the sale of stock, the issue of which was authorized by Decision No. 3023 as amended, Decision No. 6448 and Decision No. 6468, to reimburse its treasury because of earnings expended to pay for the construction of

improvements, extensions, additions and betterments prior to July 31, 1919, as outlined in Exhibit "B" attached to the petition herein.

It is hereby further ordered, that Pacific Gas and Electric Company be, and it is hereby, granted authority to use \$641,313.23 due on stock subscriptions referred to in the petition herein as well as the proceeds obtained from the sale of \$208,600 par value of stock, the issue of which is authorized by Decision No. 6468, to pay in part for the construction of improvements, extensions, additions and betterments subsequent to July 31, 1919, as outlined in Exhibit "C" attached to the petition herein.

The authority herein granted is subject to the condition that applicant will keep such record of the expenditures herein authorized as will enable it to file on or before the twenty-fifth day of each month a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order; and subject to the further condition that applicant file with the Railroad Commission monthly reports showing its total expenditures for the construction or acquisition of improvements, extensions, additions and betterments.

*It is hereby further ordered*, that Decision No. 3023 as amended and Decision No. 6448 and 6468, shall remain in full force and effect except as modified by this decision.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-eighth day of October, 1919.

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DECISION No. 6805.

IN THE MATTER OF THE APPLICATION OF SAN FRANCISCO-OAKLAND  
TERMINAL RAILWAYS FOR AUTHORITY TO ISSUE ITS PROMIS-  
SORY NOTES IN RENEWAL OF OUTSTANDING PROMISSORY  
NOTES.

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Application No. 4414.

Decided October 28, 1919.

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W. H. Smith, for Applicant.

DEVLIN, Commissioner.

**OPINION.**

San Francisco-Oakland Terminal Railways asks permission to issue two 6 per cent notes to Realty Syndicate Company, one for the sum of \$247,000, the other for the sum of \$33,630. The payment of the

former note applicant desires to secure by the deposit of 370 and the payment of the latter by the deposit of 50 of its general lien mortgage bonds.

Applicant asks permission to issue the notes for the purpose of refunding notes of like amount issued pursuant to the authority granted in Decision No. 1604, dated June 23, 1914. (Vol. 4, Opinions and Orders of the Railroad Commission of California, p. 1290.)

By authorizing the issue of the notes, it should be understood that the Commission in no way directly or indirectly commits itself to a favorable determination of either Application No. 990 or Application No. 1152, now pending before the Commission.

I herewith submit the following form of order:

#### ORDER.

San Francisco-Oakland Terminal Railways having applied to the Railroad Commission for permission to issue notes and pledge bonds, a public hearing having been held, and the Commission being of the opinion that this application should be granted subject to the conditions of this order;

*It is hereby ordered*, that San Francisco-Oakland Terminal Railways be and it is hereby, authorized to issue to Realty Syndicate Company two notes, one for the principal sum of \$247,000, the other for the principal sum of \$33,630, and secure the payment of the former note by the issue and deposit of 370 and the payment of the latter note by the issue and deposit of 50 of its general lien mortgage bonds.

The authority herein granted is upon the following conditions and not otherwise:

1. The notes herein authorized to be issued shall be issued for the purpose of renewing or refunding the notes now held by Realty Syndicate Company and referred to in the petition herein.

2. The notes herein authorized to be issued shall mature in a period not to exceed one year from date of issue and shall bear interest at a rate not to exceed 6 per cent per annum.

3. The notes herein authorized shall not be issued unless Realty Syndicate Company agrees to hold the same until they are paid or refunded pursuant to an order of the Railroad Commission.

4. A copy of the agreement under the terms of which Realty Syndicate Company undertakes to hold the notes until paid or refunded, pursuant to an order of the Railroad Commission, shall be filed with the Commission within thirty days after the issue of the notes.

5. As payments are made from time to time on the notes herein authorized, the bonds issued as collateral thereon shall be returned to applicant's treasury in the approximate amount of \$1,000 of bonds for each \$666.66 payment made on the notes; the bonds so returned shall



not thereafter be issued again without the approval of the Railroad Commission.

6. Applicant shall keep such record of the issue of the notes and bonds herein authorized as will enable it to file on or before the twenty-fifth day of each month a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

7. The authority herein granted shall apply only to such notes and bonds as may be issued within ninety days after the date hereof.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-eighth day of October, 1919.

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DECISION No. 6809.

IN THE MATTER OF THE APPLICATION OF SAN FRANCISCO-OAKLAND  
TERMINAL RAILWAYS FOR AUTHORITY TO ISSUE PROMISSORY  
NOTES TO REFUND NOTES HERETOFORE AUTHORIZED BY THE  
COMMISSION, AND TO PLEDGE ITS GENERAL LIEN MORTGAGE  
BONDS TO SECURE THE PAYMENT OF SAID NOTES.

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Application No. 4442.

Decided October 28, 1919.

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W. H. Smith, for Applicant.

LOVELAND, *Commissioner.*

**OPINION.**

San Francisco-Oakland Terminal Railways asks permission to issue its demand notes in the amount of \$169,520 and pledge \$257,000 face value of its general lien mortgage bonds to secure the payment of the notes.

In Decision No. 4950, dated December 13, 1917 (Vol. 14, Opinions and Orders of the Railroad Commission of California, p. 712), the Railroad Commission authorized applicant to issue \$218,459.64 face value of notes to various banks and to secure the payment of the notes by the deposit of \$337,000 face value of its general lien mortgage bonds. Applicant reports that it has paid \$48,939.64 of the notes and that \$80,000 face value of the bonds have been returned to its treasury, leaving \$169,520 of notes secured by \$257,000 of bonds outstanding.

Reference is here made to the Commission's previous decisions under which notes and bonds have been issued.

It is of course understood that nothing herein contained commits the Commission directly or indirectly to a favorable determination of either Applications No. 990 or No. 1152.

I herewith submit the following form of order:

**ORDER.**

San Francisco-Oakland Terminal Railways having made application to the Railroad Commission for permission to issue its 6 per cent demand notes in the sum of \$169,520 and to pledge its general lien mortgage bonds in the face value of \$257,000, and a public hearing having been held;

*It is hereby ordered*, that San Francisco-Oakland Terminal Railways be, and it is hereby, given authority to issue its 6 per cent demand notes in the sum of not exceeding \$169,520, and to issue and pledge to secure the payment of said notes \$257,000 face value of its general lien mortgage bonds, said notes to be issued for the purpose of renewing or refunding the notes referred to in the petition herein.

The authority herein granted is upon the following conditions and not otherwise:

1. The notes herein authorized to be issued shall be issued only to the payees specified in the petition, who shall agree to hold said notes until the notes are paid, or refunded, pursuant to an order of the Railroad Commission.

2. As payments are made from time to time on the notes herein authorized, bonds issued as collateral thereon shall be returned to applicant's treasury in the approximate amount of \$1,000 of bonds for \$666.66 of payments on any notes, which bonds shall not thereafter be again issued without the approval of the Railroad Commission.

3. Applicant shall keep such record of the issue of the notes and bonds herein authorized as will enable it to file on or before the twenty-fifth day of each month a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

4. The authority herein granted shall apply only to such notes and to such bonds as shall have been issued within ninety days after the date hereof.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-eighth day of October, 1919.

## DECISION No. 6827.

IN THE MATTER OF THE APPLICATION OF MONTICELLO STEAMSHIP  
COMPANY TO INCREASE FREIGHT RATES.

Application No. 4257.

Decided November 12, 1919.

**BOOKKEEPING—DEPRECIATION ACCOUNT.**—A public utility in setting aside amounts for depreciation should credit such sums to its depreciation account and not deduct the same from its capital investment.

**RATES—APPORTIONMENT OF REVENUES—INLAND WATER CARRIERS.**—The business of an inland water carrier such as applicant is not considered in the same light as a railroad carrier which would require the segregation of its passenger and freight business and the allocation of expenses to each class of service. Its freight business is held to be incidental to its passenger business, and as total revenues are adequate, though freight business itself is not profitable, increases therein are not warranted.

**EVIDENCE—FREIGHT AND PASSENGER BUSINESS—DISTINCTION BETWEEN.**—It is incumbent upon a utility applying for an increase in rates, on a specific class of business, to show that such class is separate and distinct from its other interests before the rates covering such class can be increased, providing that such utility is earning as a whole a reasonable return.

Petition of applicant to increase freight rates denied.

*Sanborn & Roehl*, for Applicant.

*L. B. Learitt and J. P. Millett*, for Central Labor Council of Vallejo, Protestants.

BY THE COMMISSION.

**OPINION.**

The Monticello Steamship Company applies for an order authorizing the establishment of increased freight rates.

It is proposed to establish a schedule of class rates governed by the Western Classification in lieu of the commodity rates now in effect. Present commodity rates are some five hundred in number, and where no specific rate is shown the charge is 12 cents per 100 pounds under an item for freight not otherwise specified. The commodity rates as now published are in cents per 100 pounds for shipments in small quantities, and in cents per ton of 2,000 pounds for lots of 20,000 pounds or over.

The proposed rates in cents per 100 pounds are as follows:

Classes -----	1	2	3	4	5	A	B	C	D	E
Rates -----	18	15	11	8	6	6	6	6	6	6

In addition to the class rates, applicant will publish a limited number of commodity rates, provide exceptions to the Western Classification and give rates materially lower than would govern were the straight Western Classification employed. These deviations are designed to prevent any radical increase against the commodities moving regularly in large quantities.

Petitioner operates only between San Francisco and Vallejo and is in competition with the Southern Pacific Company and Napa Transportation Company for traffic locally between these two points. It also does a joint business in connection with the San Francisco, Napa and Calistoga Railway in competitive territory north of Vallejo served in part by these same companies. This through traffic is nominal so far as freight is concerned and the joint rates are not to be increased.

On December 31, 1917, applicant's total fixed capital, as shown by the annual report, was \$673,049.26. In the year 1918 the company purchased, in New York, a new steamer named Asbury Park, the accumulated cost of which to December 1, 1918, was \$432,887.89, but before the vessel can be put into the local service it will require new boilers and certain alterations, making its total cost approximately \$600,000.

Exhibit No. 1, a statement of valuation of property used in the service, includes the steamer Sehome at \$75,000. This vessel was sunk in the year 1918 in a collision with the General Frisbie, another of applicant's steamers. The Sehome carried marine insurance and there was also an amount in the depreciation fund to its credit; however, it will not be necessary to here go into the details of the readjustment of the capital account, as this subject will be referred to later.

Applicant, by Exhibit No. 2, sets forth that its total freight revenue for the first ten months of 1918 was \$60,926.03 and that expenses chargeable directly to the handling of freight were \$41,025.75, thus showing a gain during this ten months period of \$19,900.28 above the out-of-pocket expenses. The overhead expenses common to both freight and passengers, not including depreciation, taxes, or interest on investment, during this ten months period was \$186,455.88. Of this amount applicant charged to freight the sum of \$53,139.94, which is 28½ per cent (Exhibit No. 5) of the overhead expenses and is based on the total space claimed to be reserved on steamers for the exclusive use of freight. By including the \$53,139.94, the claimed amount of common expenses for the handling of freight for the ten months period, the total expenses would be \$94,165.69, thus leaving a deficit of \$33,239.66. The boats engaged in this service are primarily for the transportation of passengers and it is therefore most difficult to determine just how much of the space on the boats is required to meet the exclusive demands of the freight traffic as distinguished from the passenger traffic. The vessels are of different sizes, their carrying capacity ranging from 400 to 2,000 passengers. A representative of the Commission made a check of the four steamers employed in the service, but was unable to agree with the contention that 28½ per cent of the deck space was necessary to the freight traffic. Apparently, the segregation of the decks can

follow no fixed rule, but must be arbitrary, a matter of opinion and judgment.

Exhibits were introduced comparing the monthly costs of engine room labor for the ten months of 1917 and 1918; also the monthly cost for deck labor during the same period. Engine room labor costs increased \$5,756.80, or 32 per cent, while the deck labor costs increased \$12,232.69, or 41 per cent. The increase in the total of the pay rolls was influenced, no doubt, to a greater or less extent, by the employment of additional men during the rush period in the year 1918 due to war activities, which made necessary the operation of special boats for the transportation to and from Mare Island of men connected with the United States Navy. It is fair to assume that special boats will not be required in the year 1919 with the operating schedules restored to normal.

Prior to January 1, 1919, applicant had a very favorable contract for fuel oil at 56 cents per barrel. Since the expiration of the contract it has been necessary to purchase the fuel oil in the open market at \$1.63 per barrel. The average amount of oil consumed per annum is 63,305 barrels and if the price of \$1.63 per barrel is maintained during 1919 the increased annual cost will amount to \$67,736.35.

Another exhibit shows that for the first ten months of the year 1918 the total expense in the operation of the dining rooms on the different vessels was \$94,679.86. This amount included wages of stewards, cooks, waiters, the food and all supplies. During the same period \$60,768.26 was received from passengers for meals served, leaving a deficit of \$33,911.60, which the company arbitrarily charged to the expense for boarding the steamer crews. The boat crews' compensation includes their meals served from the regular restaurant department, but no segregation is made of their cost. It is claimed there is a considerable profit in the serving of meals to the public and that the cost to the company of furnishing food to the crews, were it not for this profit, would be greatly in excess of \$33,911.60, and whatever profit there may be from the dining rooms is reflected in the reduced expense of feeding the labor employed on the boats.

Petitioner's principal earnings are derived from passenger traffic, as illustrated by the following tabulation:

	Passenger	Freight
1913 -----	\$194,102 59	\$50,866 88
1914 -----	201,869 82	53,478 40
1915 -----	222,076 14	54,228 17
1916 -----	190,305 84	56,479 95
1917 -----	279,656 28	62,929 48
1918 -----	433,188 58	75,453 53

In the year 1918 approximately 70 per cent of the gross earnings were received from passenger traffic, 12 per cent from freight, 3 per cent from baggage, express and special service, and 15 per cent from the restaurant and concessions.

The last four years do not reflect normal business, for earnings were greatly augmented in 1915, due to travel incidental to the Panama-Pacific International Exposition held in San Francisco; in 1916 they were reduced by a strike of the company's employees, which tied up operations for a period of time, while in 1917 and 1918 they were high because of the war activities at the Mare Island Navy Yard.

Since the case was submitted, January 6, 1919, our auditing department has made a complete check of applicant's financial condition beginning with the year 1906. From 1906 to 1912, both years inclusive, it was the policy of the company to make liberal charges to its surplus on account of depreciation, reducing its fixed capital accounts accordingly. During these years capital was depreciated \$208,388.55. In computing the capital investment this amount should be considered, less that which applies to the steamer Monticello, \$23,189.94, and to the steamer Sehome, \$14,450.80, the Monticello having been wrecked in 1913 and the Sehome sunk in a collision in 1918; also the sum of \$11,426.30 for abandoned improvements at El Campo, a resort in Marin County which the company attempted to conduct.

Beginning with January 1, 1913, the company's books have been kept in accordance with the classification of accounts prescribed by the Interstate Commerce Commission and adopted by this Commission.

From 1913 to 1918, inclusive, the capital investment, net earnings and percentage of earnings to investment, as shown by the company's books, were as follows:

	Capital invested at close of year	Net earnings	Per cent earnings to investment
1913 -----	\$649,862 50	\$66,148 49	10.2%
1914 -----	658,036 56	35,097 20	5.3%
1915 -----	666,526 40	75,502 96	11.1%
1916 -----	668,338 74	27,678 69	4.1%
1917 -----	671,895 73	98,082 74	14.6%
1918 -----	989,778 77	118,655 15	15 %

Certain items in connection with the purchase of the steamer Asbury Park, amounting to \$66,815.74, were charged as operating expenses. This amount belongs in capital investment and by adding it to the capital and deducting it from expenses there was, according to the company's own books as of December 31, 1918, a total capital investment of \$1,056,594.51, net earnings of \$215,470.89 and a percentage

earning of 20.4, as against the net earnings of \$148,655.15 and percentage of 15 shown in the above tabulation.

The company's plan of deducting depreciation from fixed capital account increased the percentage earnings on investment. By using the totals secured by our auditing department, which represent the actual fixed capital investment, we find the following results:

	Capital Invested at close of year	Net earnings	Per cent earnings to investment
1913 -----	\$797,667 08	\$66,148 49	8.3%
1914 -----	805,840 09	35,097 20	4.3%
1915 -----	814,330 93	75,502 96	9.4%
1916 -----	816,143 27	27,678 69	3.4%
1917 -----	819,700 26	98,082 74	12 %
1918 -----	1,204,399 04	215,470 89	17.9%
Average -----	\$876,346 77	\$86,330 16	9.9%

The foregoing tabulation increases the company's total for fixed capital throughout the entire period by \$147,804.53, which amount should be credited to depreciation reserve, being the sum by which the company reduced certain of its capital accounts prior to 1913. To the fixed capital is also added \$66,815.74, account items charged to operations in 1918, which should have gone originally into the capital account.

The company earned, on the corrected capital investment, 12 per cent in 1917 and 17.9 per cent in 1918.

It was applicant's belief, at the time of the hearing in this proceeding, that its revenue would rapidly decline, by reason of changed conditions at the Mare Island Navy Yard and in the city of Vallejo. The contrary, however, has resulted, and the passenger revenue has increased each month during the current year:

	1918	1919	Increase
January -----	\$30,300 09	\$31,508 85	\$1,208 76
February -----	28,429 12	32,000 00	3,570 88
March -----	30,027 99	33,067 59	3,039 60
April -----	29,611 89	31,451 83	1,839 94
Totals -----	\$118,369 09	\$128,028 27	\$9,659 18

The passenger revenue alone during the first four months of 1919 increased \$9,659.18 over the corresponding four months of 1918. There is no report of the 1919 transportation expenses, but a comparison of 1917 with 1918 shows that while the total revenue increased from \$430,639.71 to \$629,074.23, or \$198,434.52, the total expenses only

increased from \$332,556.97 to \$413,603.34, or \$81,046.37, while the net increased from \$98,082.74 to \$215,470.89, or \$117,388.15.

The company has no bonded indebtedness and has not declared excessive cash dividends, but has followed the policy of using its earnings for development and capital expenditure. The new steamer, Asbury Park, is somewhat larger than normal conditions justify, but it will, no doubt, add to the comfort of the traveling public by providing good accommodations and also makes possible the handling of unusually large groups of people on special occasions without overcrowding. This vessel will be in service in the very near future and when completed will further increase the capital investment of the company.

In Application No. 2928, decided November 19, 1917 (Vol. 14, Opinions and Orders of the Railroad Commission of California, page 521), the Commission denied an increase of 15 per cent in these same freight rates, basing its conclusions upon the record that the company was then in a very satisfactory financial condition and also that it had failed to prove by any testimony or exhibit that the then existing freight rates were too low *per se*. The history of the company was reviewed in that decision and it is there shown that its growth had been favorable, and the net return from the property substantial, during the period from 1905 to 1916 inclusive. The years 1917 and 1918 were by far the most prosperous in the history of the company, producing, as heretofore stated, net profits of 12 per cent in 1917 and 17.9 in 1918. Operating costs will increase to some extent in 1919 over 1918, especially for fuel, but the operating revenue shows a substantial increase in the first four months of the current year and will, no doubt, continue to increase.

The evidence in this case is clear and convincing that this company is making a fully adequate return on all of the business which it transacts. That is to say, its freight and passenger revenues combined produce very much more than 8 per cent net on the total investment in plant devoted to the public service.

This Commission should be slow to increase public utility rates where it is conclusively shown that the utility company is making a reasonable return as a result of its operation. Of course it may be that even where increased earnings as a whole are not justified, nevertheless, a readjustment or reapportionment of the burden of producing the gross income should be had between various classes of service rendered by the utility where they are shown to be decidedly out of line. This proceeding does not present such a case. We are not asked here to readjust all of the rates of this utility so as to properly apportion the burden as between freight and passenger service, but the sole request of applicant is that we increase freight rates with a resulting increase of



profits. In fact, applicants vigorously contend that the Commission in this proceeding has no jurisdiction to change passenger rates.

We have considered those authorities which hold as to steam railroad operations that the freight business is a distinct and separate business and rates must be fixed therefor without modification because of the earnings of the passenger business. But we call attention to the obvious fact that in steam railroad operations the entire equipment for the handling of freight is separate and distinct from the passenger equipment and it is easily possible to segregate and directly allocate the larger part of the charges to each class of service. In the case before us there is no such separate and distinct character of freight business. The principal business of applicant is the carrying of passengers by boat and the freight business is admittedly an incident. If the freight business stopped entirely, the passenger business would without question continue. And on the other hand, if the passenger business stopped there is no doubt but that the entire business would cease as the freight traffic is not sufficient to support the service.

We therefore do not believe that the authorities cited which involve steam railroad operation are controlling here. In any event we believe that the burden is upon applicant (where ample total earnings are admitted) to show by clear and convincing proof that the costs of handling freight are definite in amount and character and that the business of carrying freight is so distinct and separate from the business of carrying passengers that the two may not legally or economically be considered together.

A careful consideration of this entire record convinces us that no such showing has been made by applicant.

The exhibits and statements and the results from passenger traffic during the first four months of the current year clearly indicate that applicant will enjoy ample net earnings in 1919, probably in excess of 15 per cent.

We are of the opinion, upon consideration of all the facts in this case, that petitioner has failed to sustain the burden placed upon it by the Public Utilities Act to justify the increase in the freight rates which it seeks to make and we shall, therefore, recommend that the application be denied.

We submit the following form of order:

#### ORDER.

The Monticello Steamship Company having filed its application for authority to increase its freight rates between San Francisco and Vallejo, a public hearing having been held on said application, and the

Railroad Commission finding that the showing made has not been such as to justify the increase in rates asked for;

*It is hereby ordered*, that said application be and the same is hereby denied.

Dated at San Francisco, California, this twelfth day of November, 1919.

#### DISSENTING OPINION.

LOVELAND AND MARTIN, *Commissioners*.

We dissent from the opinion and order in this case, signed by a majority of the members of this Commission, dismissing the application, upon the following grounds:

*First*—That the findings upon which the order of dismissal is predicated are not supported by the testimony, as shown by the record.

*Second*—That the findings do not conform to the law as announced by decision of the United States Supreme Court in cases where similar conditions and state of facts existed and where similar principles were involved.

The testimony, *no part of which was controverted*, shows, as stated in the majority opinion, applicant's business is primarily the transportation of passengers; that its freight business is "admittedly an incident"; that no attempt has ever been made by applicant to classify the freight carried or to make effective freight tariffs based upon methods usually employed by transportation companies; that the rates proposed to be advanced were established many years ago before the Western Classification was generally employed by steamship lines, and were fixed without any great consideration of the commodity to be transported, specific rates being published for only a limited number of articles, most commodities moving at a uniform rate under the caption "Freight not otherwise specified."

As applicant is engaged in the transportation of both freight and passengers, it is necessary, in passing upon the reasonableness of the rates for either service, to allocate to such services the proper share of expenses. Expenses incurred solely for either service are readily assigned to the service for which they were incurred, but certain general expenses of operation common to both services must be segregated and allocated equitably between freight and passenger service. No arbitrary rule has been or can be laid down for such segregation and allocation, as each case involving allocation of common expenses must be determined upon its own statement of facts. The United States Supreme Court, in reversing a decision of the North Dakota Railroad

Commission, in a case where similar principles were involved, has definitely settled the question that the reasonableness and justness of rates can not be established by a consideration of only the bare "out-of-pocket" cost of handling a particular class of traffic. (See *Northern Pacific Railroad Company vs. North Dakota*, 236, U. S. 585.) The North Dakota Commission held that it could impose a rate for the transportation of lignite coal which covered only "out-of-pocket" costs, provided the carrier's entire earnings of all classes of traffic yielded a fair return. In disposing of this contention, Mr. Justice Hughes said at pages 596 and 597,

\* \* \* We find no basis for distinguishing in this respect between so-called "out-of-pocket" costs and "actual" expenses, and other outlays which are none the less actually made because they are applicable to all traffic, instead of being exclusively incurred in the traffic in question. Illustrations are found in the outlays for maintenance of way and structures, general expenses and taxes. It is not a sufficient reason for excluding such, or other, expenses to say that they would still have been incurred had the particular commodity not been transported. That commodity has been transported; the common carrier is under a duty to carry, and the expense of its business at a particular time are attributable to what it does carry. The state can not estimate the cost of carrying coal by throwing the expense incident to the maintenance of the roadbed, and the general expenses, upon the carriage of wheat; or the cost of carrying wheat by throwing the burden of the upkeep of this property upon coal and other commodities. This, of course, does not mean that all commodities are to be treated as carried at the same rate of expense. The outlays that exclusively pertain to a given class of traffic must be assigned to that class, and the other expenses must be fairly apportioned. It may be difficult to make such apportionment, but when conclusions are based on cost the entire cost must be taken into account.

This also finds direct support in the decision of United States Supreme Court in the Minnesota Rate Case, *Simpson vs. Shepard*, 230 U. S. 352, 57 L. ed. 1511, where the court was passing upon the segregation and allocation of expenses as between intrastate and interstate business.

In the case at bar applicant's total business is admittedly profitable. If we accept the uncontroverted testimony of witnesses for applicant its freight business is conducted at a loss. To demonstrate this it is necessary to first charge the freight business with expenses incurred solely for the freight traffic, and then to allocate the expenses common to both freight and passenger traffic between those two services and charge the freight business with its proper share, thus showing the total expenses of conducting the freight business, which total expenses must be compared with the total earnings on the freight business. Such comparison shows whether the rates for the transportation of freight are compensatory or not. In this case this was done, as set forth in exhibits and testimony found in the record.

The following reference to exhibits material to this opinion may be helpful:

Exhibit No. 1 relates to the financial condition of applicant, and needs no extended reference further than the brief mention made elsewhere herein.

Exhibit No. 2 shows that the total freight revenue for the first ten months of 1918 was \$60,926.03, and the expenses chargeable directly to the handling of freight were \$41,025.75. The majority opinion claims that this shows a gain of \$19,900.28 over "out-of-pocket" expenses; this is technically correct but misleading for the reason that only "out-of-pocket" expenses are considered. No part of the expenses common to both freight and passenger service, depreciation, taxes or interest on investment is taken into account. That which the majority opinion calls a gain on freight operation is converted into a substantial loss when the share of common expenses, properly assignable to the freight traffic, is considered, to say nothing of depreciation, taxes or interest on investment.

Exhibit No. 3 and testimony of witnesses (Trans. pp. 9 and 10) shows that the expense chargeable wholly to freight service was \$41,025.75. We are convinced that this statement was fair, for, as the witness stated, deck hands' wages were only figured at the regular pay of \$90 per month and the item of overtime allowed deck hands was not considered at all.

Exhibit No. 4 shows that the expenses common to both freight and passenger service amount to \$186,455.88, which amount included no charge applicable exclusively to either freight or passenger service and, as said of Exhibit No. 2, it does not include anything for depreciation, taxes or interest on investment.

Exhibit No. 5 shows the segregation and allocation of expenses common to freight and passenger service in the manner above described and the loss of \$33,239.06, at which applicant's freight business was conducted.

*Recapitulation.*

Total expenses of operation chargeable to both freight and passenger service .....	\$186,455 88
28½ per cent, properly chargeable to freight alone, as shown by testimony .....	\$53,139 94
Expenses wholly chargeable to freight.....	41,025 75
	<hr/>
	\$94,165 69
Total freight revenue.....	60,926 03
	<hr/>
Loss on freight operations.....	\$33,239 66

The majority opinion contains a statement with reference to the total expenses of the dining rooms on the different vessels, from which a wrong inference can be drawn. The total expense of running same was \$94,679.86 and the revenue from meals served passengers was \$60,768.26, leaving, as the majority opinion declared, a deficit of \$33,911.60, which the company *arbitrarily* charged to boarding the crews. It is plainly wrong to call this a deficit because to constitute a deficit it would be necessary to ignore entirely the cost of feeding the crews, which, in common justice and from the very plain evidence, can not be done.

An investigation by the Commission's auditing department, made subsequent to hearing, reports that but 22½ per cent of expenses, common to both freight and passenger traffic, should be charged to freight expense instead of 28½ per cent as shown by Exhibit No. 5. This report of the auditing department also makes a correction in applicant's capital account, increasing it by something over \$200,000 due to the fact that before being advised by the Commission's auditing department in 1913 as to how its books should be kept, applicant deducted its depreciation from capital account instead of adding it to surplus. While this report is mentioned in the majority opinion, it is clearly evident that it was not used as a basis for that opinion, and we refer to it only to call attention to the significant fact that by accepting our auditor's apportionment of common expenses the freight operations of applicant are still conducted at a substantial loss.

We can not agree with the majority opinion that this Commission should be slow to adjust the rates of a public utility on some parts of its traffic, if found to be unreasonably low, where its total operations are found to be profitable. No better example of the inequity of a decision based upon that rule need be sought than the case we are considering. Applicant's total operations are unquestionably profitable; but if the case is to be decided upon the uncontroverted testimony found in the record, we must admit that its freight operations are conducted at a loss. Do these facts not clearly establish a further fact, to wit, that applicant's patrons in its passenger business are being discriminated against by being required to make up its losses resulting from its freight operations? The majority opinion recites that the Commission is not asked to readjust all of the rates of this utility and states that "in fact applicant vigorously contends that the Commission, in this proceeding, has no jurisdiction to change passenger rates." We agree with the majority opinion that we are not asked, in this application, to adjust all of the rates of this company, but we believe that, it having been shown by undisputed testimony that applicant's freight

rates are too low, and it being common knowledge that its total operations are profitable, it is the duty of the Commission to take such action as will result in the regulation and adjustment of all of applicant's rates. The necessity for this is further shown by the following statement found in the majority opinion:

The exhibits and statements and the results from passenger traffic during the first four months of the current year clearly indicate that applicant will enjoy ample net earnings in 1919, probably in excess of 15 per cent.

A careful analysis of the testimony and exhibits in this case creates a doubt in our minds that applicant will realize 15 per cent on its investment in 1919. It is admitted in the majority opinion that the cost of fuel oil in 1919 will subject applicant to increased cost of \$67,736.35, but nowhere in the majority opinion is there any recognition of this fact in estimating the probable future earnings of the company. It seems hardly necessary, but reference may be made to the fact also of a general advance in everything that pertains to the operation of this and other transportation companies.

It is also admitted, in the majority opinion, that the last four years do not reflect normal business for applicant, due to the fact that earnings of the company were greatly augmented by travel incident to the Panama-Pacific Exposition in 1915, and while the earnings were lower in 1916, due to a strike of employees, it is admitted that the earnings of 1917 and 1918 were high because of war activities at Mare Island. The Commission did not accept applicant's confidently expressed opinion that the activities at Mare Island would be greatly diminished, and yet it is apparent that the abnormal earnings of the company during three of the last four years should not be taken as a criterion upon which to base probable earnings of applicant in normal times.

The majority opinion also refers to the decision heretofore rendered by the Commission upon Application No. 2928, wherein this applicant was denied permission to increase its freight rates on the ground that "the company was then in a very satisfactory financial condition" and "also that it had failed to prove by testimony or exhibit that the then existing freight rates were too low *per se*." Commissioner Loveland concurred in that decision but a different condition is presented in this case. The applicant company is still deservedly prosperous but the freight rates have been proven non-compensatory *by uncontroverted testimony* and should be adjusted.

We can not agree with the majority opinion that the operations of applicant's company are so different from those of steam railroad operation as to render inapplicable principles, rules and decisions promulgated and announced by courts and commissions in cases involving the

allocation of expenses common to freight and passenger business. True, steam railroads, particularly the larger systems, have equipment devoted entirely to each class of traffic. They also have departments, the activities of which are entirely devoted to either the freight or passenger business. But it is equally true that as to investment in constructions, upkeep, rent of offices, salaries of general officers, part of taxes, etc., expenses and investment are common to both classes of traffic and must be allocated. This is usually done upon a car mile, per ton of earning basis. Such investment where expenses are common often far exceed in value the amount of investment in equipment devoted to particular traffic.

In the operation of many of the smaller steam road systems, locomotive equipment, office expenses, etc., are common to both freight and passenger business. The segregation of such expenses is as difficult, if not more so, than the reasonable allocation of common expenses in the present case.

We can not escape the conviction that the case we are considering is very simple and that the duty of the Commission is very plain. Can we require applicant to conduct its freight business at a loss because its total business is admittedly profitable? The Supreme Court has said we can not. (See case cited *supra*.) Should we then disregard the fact that the loss suffered through noncompensatory freight rates must be and is being made up by the rates charged in applicant's passenger business, and dismiss the application, as decided by the majority opinion? We can not agree with this finding and therefore dissent. We hold that the Commission should adjust the freight rates of applicant by placing them upon a reasonable and compensatory basis and immediately, upon the Commission's own initiative, call applicant's passenger rates into question and adjust them on a reasonable basis, taking into consideration the fact that applicant's freight rates had been adjusted and made compensatory.

## DECISION No. 6836.

IN THE MATTER OF THE APPLICATION OF SAN DIEGO ELECTRIC RAILWAY COMPANY, A CORPORATION, FOR AN INVESTIGATION BY THE RAILROAD COMMISSION OF THE REASONABLENESS OF THE RATES, CHARGES, RULES, REGULATIONS AND PRACTICES OF SAID CORPORATION IN THE CITIES OF SAN DIEGO, EAST SAN DIEGO, NATIONAL CITY AND CHULA VISTA IN SAN DIEGO COUNTY.

Application No. 3808.

And

IN THE MATTER OF THE APPLICATION OF THE POINT LOMA RAILROAD COMPANY FOR AN INVESTIGATION BY THE RAILROAD COMMISSION AS TO THE REASONABLENESS OF ITS RATES, CHARGES, RULES, REGULATIONS AND PRACTICES IN THE CITY OF SAN DIEGO.

Application No. 3809.

And

IN THE MATTER OF THE APPLICATION OF THE POINT LOMA RAILROAD COMPANY FOR AUTHORITY TO DISCONTINUE SERVICE AND SUSPEND OPERATION AND TO TAKE UP TRACKS.

Application No. 5008.

And

IN THE MATTER OF THE APPLICATION OF THE SAN DIEGO ELECTRIC RAILWAY COMPANY FOR AUTHORITY TO DISCONTINUE SERVICE, TO SUSPEND OPERATION AND TO TAKE UP TRACKS OF PART OF ITS SYSTEM.

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Application No. 5009.

Decided November 14, 1919.

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**RATES—STREET RAILWAY SYSTEMS—CONTROLLING FACTORS.**—It is held to be an impractical policy to establish a schedule of rates for a street railway system which theoretically would provide a fair return upon the value of its property, but, if made effective would so affect traffic as to result in further losses to the utility.

**SERVICE—STREET RAILWAYS—RECONSTRUCTION OF.**—It is considered imperative that a run-down street railway system be reconstructed, equipment suitable to present-day conditions installed and an adequate service rendered, otherwise a revision of rates alone will have no effect in bettering the financial condition of the utility.

**POWER COSTS—STREET RAILWAYS SYSTEMS.**—A power cost of two cents per kilowatt hour for a street railway system with a minimum daily consumption of 40,000 kilowatt hours is held to be exceedingly high and unwarranted.

**PAVING—STREET RAILWAYS—REQUIREMENTS FOR.**—The usual franchise requirements of municipalities providing for expensive paving by street railway systems is held to be unwarranted in a considerable number of cases. Such paving should only be insisted upon when it is conclusively shown that the people are actually benefited thereby or that a less expensive method of construction would not better serve the city and utility needs.

**SERVICE—STREET RAILWAYS—NONPAYING LINES.**—Street railway lines should be considered on their individual merits and a line that is not self-supporting should not be continued as a burden upon the other paying lines of a system, unless there are very strong considerations of operating or other reasons making necessary the continuation of such service.



**DEPRECIATION RESERVE—NECESSITY FOR.**—The establishment of an adequate depreciation fund is held to be essential to the efficient and economical operation of a public utility both from the standpoint of the public and the owners of the utility. Applicants directed to set aside the sum of \$18,000 monthly for such purpose.

**RATES—ZONE SYSTEM—STREET RAILWAYS.**—The zone system of rates applied to the system of applicants in the present proceeding is held to be reasonable in that rates should bear the closest possible relation to the cost of service and in a city the size of that served by applicants a "one city—one fare" plan is impractical under present conditions.

Recommendations as to headway changes and elimination of nonpaying or duplicate services made and applicants are directed to put their properties in a safe and adequate operating condition. Revised schedule of rates on the zone system established to become effective within ten days.

*Read G. Dilworth, for the Applicants.*

*T. B. Cosgrove, S. J. Higgins and C. G. Selbeck, for the city of San Diego.*

*Hamilton & Lindley, by R. R. Hamilton, for the Chamber of Commerce of the city of San Diego.*

*Johnson W. Puterbaugh and Frederick W. Stearns, for the city of Coronado.*

*F. B. Andrews, for the city of Chula Vista.*

*Ray M. Harris, for the city of National City.*

*Arthur T. French, for the city of East San Diego.*

*E. F. Glidden, for Kensington Park and Normal Heights.*

*E. H. Lammé, for the residents of La Playa.*

*S. W. Switzer, in propria persona.*

*Mrs. Lucy B. Long, in propria persona.*

*Mrs. Mary L. Runkey, in propria persona.*

*Mrs. Belle Bishop, in propria persona.*

DEVLIN, Commissioner.

#### OPINION.

Applications 3808 and 3809 were filed herein together on May 31, 1918, and were consolidated into one proceeding. The former application deals with the properties of the San Diego Electric Railway Company (hereinafter called the San Diego company) and the applicant asks that:

"\* \* \* the Railroad Commission \* \* \* make full investigation of the rates, charges, rules, regulations and practices of applicant in the said municipalities and territory in which the railroad lines of applicant are in operation and determine whether or not same are sufficient to permit of the necessary operating expenses and a reasonable return upon the fair value of its property used in the service of the public in the conduct of its business, and fix such rates, and establish such regulations and practices in the operation of applicant's lines as will permit of a fair and reasonable return to the stockholders of this company over and above the necessary expenses and proper depreciation and deductions. \* \* \*"

Application 3809 deals with the properties of the Point Loma Railroad Company (hereinafter called the Point Loma company), and the prayer in this application is identical with the prayer in Application 3808. The Point Loma company is owned and controlled by the same

interests that own and control the San Diego company, and the lines of both companies are, in fact, operated as one system.

On September 29, 1919, and while the proceeding dealing with the two applications referred to was under way, Applications 5008 and 5009 were filed. In Application 5008, the Point Loma company asks that the Commission authorize the discontinuance of all service over its lines and permit the taking up of all track. In Application 5009, the San Diego company enumerates a number of street railway lines in the cities of San Diego and East San Diego and in the county of San Diego, and, for reasons stated in the application, asks for authority to discontinue service on the lines designated and to take up the tracks on those lines.

Since the matters dealt with in the last-named applications are encompassed within the investigation undertaken by the Commission in connection with the original proceeding, it was decided to consolidate these matters with the larger proceeding. The subject matters of all four applications will, therefore, be taken up in this opinion.

#### 1. Scope of proceeding.

The Commission is asked to make a complete investigation of the entire financial and operating condition, including rates, charges, rules, regulations and practices of applicants in all of the municipalities and territory served by applicants' lines. These lines operate within the cities of San Diego, East San Diego, Coronado, National City, Chula Vista and in unincorporated territory of the county of San Diego.

No direct challenge to the jurisdiction of this Commission as distinguished from the city's jurisdiction was made by the city of San Diego in the initial stages of this proceeding, and there was no indication of any objections on the part of the city to the scope of the proceeding at the earlier formal hearings. At an informal conference between the representatives of the Commission, the applicants and the other parties to the proceeding held in San Diego on September 17, 1919, the city attorney of San Diego directly challenged the Commission's jurisdiction as to several matters and intimated some doubt as to the Commission's jurisdiction in the matter of rates where the latter included transfer privileges. It is clear, of course, that if the city's contention had been concurred in and had been followed to its conclusion by the Commission, any investigating into service and most phases of operation would have been in an advisory capacity only. No remedy could have been enforced by the Commission to relieve the public and the company from unsatisfactory service and operating conditions.

In the presentation of its case, the applicants submitted to the Commission data and exhibits on all phases of street railway operation. I

reached the conclusion that in order to deal adequately with the issues presented, the Commission's staff should examine into all matters pertaining to the affairs of the applicants, and that a report should be made to the Commission on that basis. Mr. Sachse, chief engineer of the Commission, was accordingly instructed to make the report along such lines.

The financial condition of applicants, for reasons that will be discussed later in this opinion, has rapidly been growing worse in the last few months, and in the latter part of September the applicants, over the protest of the city of San Diego, ordered the discontinuance of service over certain of their lines. The common council of the city of San Diego wired the Commission a resolution adopted in special session on October 1, 1919, wherein it set forth the serious consequences of the applicants' action and concluded:

*"That the Railroad Commission be and it is hereby respectfully requested to issue its order directing the San Diego Electric Railway Company immediately to resume normal service upon all its lines in this city. \* \* \*"*

A rather anomalous situation was thus created. On the one hand the representative of the city of San Diego challenged the Commission's jurisdiction over matters of service, while on the other hand the common council was asking the Commission "to issue its order directing the San Diego \* \* \* company to immediately resume normal service upon all its lines in this city."

The Commission on the day of the receipt of the resolution, October 1, 1919, wired the San Diego company directing the resumption of service as it existed on September 30 pending a further order of the Commission. The Commission also wired the common council notifying it that the proceeding had been set down for a final hearing and asking the city to make clear at that hearing its position on the question of jurisdiction.

The final hearing took place in San Diego on October 8, 1919. The city attorney of San Diego at the opening of the final hearing made a statement dealing with this question of jurisdiction, as follows:

*"The municipal authorities have authorized me and directed me to say to you that it is their wish that in your order you cover this case from every conceivable standpoint that, in your opinion, will be for the best interests of this community in the operation of this public utility. If, by any possible conception, it could be contended that the municipality has jurisdiction over any phase of service, I can not too plainly say that it is our desire that we be released of any responsibility in that matter, and that the Commission cover that phase as well as every other phase. It is our desire that nothing be left for the municipal authorities to attend to; that the entire situation be covered by the Railroad Commission."*

Thus, it is apparent that none of the parties hereto now challenge or question the jurisdiction of this Commission in the premises.

Hearings were held on April 29 and 30, on June 17 and 18 and on October 8, 1919. At those hearings and in the periods between them a large number of exhibits, many of them very voluminous, were introduced in evidence by the company. Exhibits were also filed by the city of San Diego, by several of the other parties to the proceeding and by the Commission's departments. In addition there were available and considered as part of the evidence all of the annual reports of the applicants on file with the Commission; the valuation made by the Commission of the San Diego company's property in 1914 and discussed by the Commission in Decision No. 2834; and such other relevant data as had been filed with, or prepared for, the Commission in prior proceedings dealing with these applicants.

Although there was some examination and cross-examination of witnesses, it became evident to me during the course of the proceedings that the great bulk of the exhibits and the wide range of subjects covered made it impracticable to advantageously pursue an examination and cross-examination in detail of the unusually large number of exhibits, in a reasonable time and pursue the usual procedures in public hearings before the Commission. I suggested, therefore, that a preliminary and tentative report be made on the San Diego street railway situation by the chief engineer of the Commission and that this report, on the basis of all the exhibits filed and all other available data and also on the basis of an independent investigation, should contain such tentative suggestions and recommendations as the Commission's staff might have to offer. I also suggested that copies of the report should go to all the parties to the applications and that thereafter conferences should be held in San Diego between these parties to discuss the report and the recommendations. Whatever changes it might appear necessary or proper to make as a result of the conferences should then be incorporated in the report. The report should thereupon be introduced in evidence and become an exhibit in the case. My views and suggestions were acceptable and concurred in by all parties concerned and the Commission's departments were instructed accordingly. The report was made and sent out as agreed and was fully discussed by all parties at a conference in San Diego on September 17, 1919. A supplemental report was written as a result of that conference and the original report, together with this supplement, are part of the evidence in the proceeding.

## **2. Financial and operating condition of applicants.**

The substance of the applicants' complaint is that under present rates and with present operating and other expenses there is a steadily increasing loss to the owners of these properties caused by furnishing

street car service to the people in the San Diego territory. Applicants maintain, in effect, that unless revenue can be increased or expenses decreased, or both, to a point where the income will be equal to the operating expenses, taxes, a proper allowance for depreciation, and some reasonable return on the value of the property, service will have to be curtailed and, if conditions do not improve, in time abandoned entirely except for such few lines as may be self-sustaining.

In support of this contention there have been introduced several hundred reports, statements, tabulations, maps, charts and other data. Generally, the exhibits filed by applicants give a detailed and complete operating and financial history of the properties from their beginning to the present day. They give further an analysis of present day conditions (traffic, revenue and expenses) with estimates and deductions for the future.

There have also been submitted a number of exhibits showing what, in applicants' opinion, is necessary in the way of reconstruction and improvement of the properties over an extended period in the future. The applicants' accounts have been rewritten in their entirety and there have been recomputed on the basis of classification of accounts as at present prescribed by this Commission all capital expenditures and all revenues and operating expenses. From these rehabilitated accounts there have been constructed new balance sheets for the periods covered and these are supposed to show the actual financial condition of the company from time to time as compared with the conditions appearing in the books and in the annual reports filed with this Commission. The present-day traffic and operating exhibits show that in proportion to the increase in population, traffic in the territory served by these properties is decreasing, with a consequent reduction of operating revenue, while, on the other hand, operating expenses are steadily increasing.

These exhibits have been carefully analyzed and from them, and from the Commission's engineering department's report, it has been possible to draw very definite conclusions.

(a) *Investment.*

There are before the Commission, as far as the San Diego company is concerned, two figures for investment in road and equipment of the company's operative property:

1. Investment in road and equipment (December 31, 1918) as per annual report filed with the Commission..... \$5,159,970 00
2. Investment in road and equipment as per reconstructed capital accounts (Company's Exhibit No. 1, Revised) of December 31, 1918..... 5,068,119 00

For the Point Loma company we have only one figure, as it appears in the annual report filed with the Commission, totalling \$217,939.20.

As an index to the total investment in the combined properties of the two corporations under consideration in this decision, there follows the consolidated statement compiled from the corporate books of the companies and showing investment in road and equipment as of December 31, 1918. These figures are identical with the figures in the annual reports filed with the Commission.

*Consolidated Statement Compiled from the Corporate Books of the San Diego Electric Railway Company. Point Loma Railroad Company.*

*Investment in Road and Equipment as of December 31, 1918.*

Acct. No.	Item	Total	San Diego Electric Railway Company	Point Loma Railroad Company
501	Engineering and superintendence.....	\$6,535 33		\$6,535 33
502	Right of way.....	20,255 98	\$17,307 98	2,948 73
503	Other lands used in electric railway operation.....	107,502 40	107,502 40	
504	Grading.....	118,149 89	103,575 27	14,574 02
505	Ballast.....	120,878 91	117,354 07	3,524 84
506	Ties.....	178,026 46	160,790 46	17,236 00
507	Rails, rail fastenings and joints.....	575,615 36	529,254 53	46,360 83
508	Special work.....	140,186 63	137,333 28	2,853 35
510	Track and roadway labor.....	356,691 12	341,291 31	15,399 91
511	Paving.....	542,360 75	540,978 50	1,381 23
512	Roadway machinery and tools.....	6,633 28	6,633 28	
515	Bridges, trestles and culverts.....	114,027 68	113,495 41	532 27
516	Crossings, fences and signs.....	1,979 98	1,874 98	105 00
517	Signal and interlocking apparatus.....	644 06	644 06	
519	Poles and fixtures.....	73,991 22	63,297 35	10,693 87
520	Underground conduits.....	15,697 24	15,697 24	
521	Distribution system.....	152,254 43	124,263 56	27,990 87
521A	Overhead underground feeders.....	131,815 43	131 815 43	
523	Shops and car houses.....	320,332 45	320,332 45	
524	Stations and miscellaneous buildings and structures.....	23,588 01	22,315 82	1,272 19
525	Wharves and docks.....			
526	Park and resort property.....	37,556 77	37,497 02	59 15
529	Other expenditures way and structures.....	11,145 05	10,826 32	316 73
530	Passenger combination cars.....	547,983 07	547,983 07	
532	Service equipment.....	13,102 80	13,102 80	
533	Electric equipment of cars.....	252,731 81	252,731 81	
535	Floating equipment.....			
536	Shop equipment.....	36,205 90	36,205 90	
537	Furniture.....	29,194 03	29,194 06	
538	Miscellaneous equipment.....	19,147 58	19,147 58	
539	Power plant buildings.....	393,016 32	393,016 32	
540	Substation buildings.....	367 89	367 89	
542	Power plant equipment.....	597,893 67	597,893 67	
543	Substation equipment.....	10,645 09	10,645 09	
544	Transmission system.....	1,348 04	1,348 04	
545	Franchises.....	87,656 29	86,456 00	1,200 29
546	Law expenditures.....	1,250 40		1,256 40
547	Interest during construction.....	29,711 33	26,013 02	3,697 71
550	Miscellaneous.....	391,095 90	240,950 04	60,145 86
	<b>Totals .....</b>	<b>\$5,377,136 28</b>	<b>\$5,159,197 81</b>	<b>\$217,939 20</b>

In Applications 3808 and 3809 the applicants ask that the Commission fix rates and create conditions that will permit of a fair and reasonable return upon the fair value of the property used in the service of the public in the conduct of their business. At the hearing on April 30 the companies modified their application and asked that the "sacrifice or the investment" should be taken as the rate base. The investment figures are of importance because of this contention. I have come to the conclusion, however, that the investment figures can not be considered as sufficiently reliable to justify their use as a rate base.

In the early period of these companies' history, especially from 1892 to 1900, the accounts and records were not kept in a form that would indicate accurately the actual cash investment in the purchase of the existing properties or the construction of new properties. In this respect, the same difficulties are met with in these properties as we find them in almost every utility whose history goes back beyond the establishment of proper accounting rules.

It seems to me a coincidence rather than a significant fact that the investment figures appear to bear a close relation to the valuation figures found by our engineering department. Whatever the actual cash investment in these properties may have been, it appears to me to be established as a fact that the reproduction cost on the basis made by our engineers, and not taking into consideration accrued depreciation, is a figure that is in excess of the investment in road and equipment as it stands on the books of the company on December 31, 1918.

(b) *Valuation.*

To the extent that the amount and the value of the property devoted to street railway service is of importance in this investigation, it is my opinion that the valuation of the property of the San Diego company, as made by the Commission in 1914 (Decision No. 3834) and as brought up to date by the engineering department, should be the basis of calculation. The 1914 valuation has been used and in the following table the additions and betterments from June 30, 1914, to December 31, 1918, have been added by accounts.

*San Diego Electric Railway Company.*

*Reproduction value as shown in Exhibit "C" of Railroad Commission Decision No. 2384, in the matter of the Commission's investigation into the value of the San Diego Electric Railway Company, Case No. 745, decided May 12, 1915, with additions and betterments from July 1, 1914, to December 31, 1918.*

## (Operative Property)

Acct. No.	Item	Reproduction cost as of June 30, 1914	Total as of December 31, 1917	Total as of December 31, 1918
501	Engineering and superintendence.....	\$141,476 95	\$141,476 95	\$141,476 95
502	Right of way.....	217,774 00	220,397 21	221,018 75
503	Other lands used in electric railway operation.....	241,527 00	240,260 35	240,260 35
504	Grading.....	117,761 00	174,781 53	186,343 11
505	Ballast.....	78,274 00	123,734 44	128,000 08
506	Ties.....	108,354 00	120,644 92	119,608 80
507	Rails, rail fastenings and joints.....	340,952 00	444,022 76	464,974 80
508	Special work.....	100,028 00	159,315 91	174,971 72
510	Track and roadway labor.....	120,212 00	167,473 80	180,180 52
511	Paving.....	467,480 00	574,743 68	608,899 33
512	Roadway machinery and tools.....	8,418 00	9,137 62	9,389 15
515	Bridges, trestles and culverts.....	23,592 11	124,242 95	124,268 80
516	Crossings, fences and signs.....	289 76	941 23	1,723 02
517	Signals and interlocking apparatus.....	631 40	839 87	1,164 59
519	Poles and fixtures.....	47,073 19	61,281 63	61,279 53
520	Underground conduits.....	15,889 36	15,889 36	15,889 36
521	Distribution system.....	162,984 31	235,273 43	237,561 73
523	Shops and car houses.....	312,105 61	333,633 04	333,670 95
524	Stations, miscellaneous buildings and structures.....	5,356 93	24,638 00	24,658 66
525	Parks and resort property.....			128 15
529	Other expenditures, ways and structures.....		7,717 30	10,826 32
530	Passenger and combination cars.....	488,342 34	672,959 58	580,910 05
532	Service equipment.....	18,825 12	21,968 16	21,968 16
533	Electric equipment of cars.....	238,164 90	311,589 76	292,512 96
536	Shop equipment.....	35,262 27	40,158 63	40,155 23
537	Furniture.....	22,392 75	25,755 70	25,326 09
538	Miscellaneous equipment.....	16,633 96	16,618 27	18,096 21
539	Power plant buildings.....	295,594 22	400,959 14	400,755 06
540	Substation buildings.....		367 89	367 89
542	Power plant equipment.....	568,905 10	572,883 40	574,951 95
543	Substation equipment.....		10,584 21	10,645 69
545	Franchises.....		51 00	51 00
546	Law expenses.....	70,738 48	70,738 48	70,738 48
547	Interest.....	126,968 55	152,517 61	152,972 17
548	Injuries and damages.....	18,631 91	18,634 91	18,634 91
549	Taxes.....	17,957 53	17,967 53	17,957 53
550	Miscellaneous.....	96,008 58	96,008 58	96,008 58
	Total operative.....	\$4,522,611 33	\$5,612,639 49	\$5,578,251 57
	Stores and supplies.....	213,537 37	186,451 67	124,677 00
	Total operative.....	\$4,736,148 70	\$5,799,091 16	\$5,704,928 57

The engineering department reports that it was impossible, by reason of limited time, to make an estimate based on present conditions of reproduction cost less depreciation. Neither do I believe that the effort



and the cost required to make such an estimate would have been justified for the present purposes, and closest possible approximation of such a figure seems to me sufficient for our purposes.

Taking account of the present condition of these properties, I accept as sound the engineering department's conclusion that a condition per cent of 80 reflects a depreciated value of the San Diego company's property and a condition per cent of 75 the depreciated value of the Point Loma company's property. We have, then, the following figures:

	Reproduction cost	Condi- tion, per cent	Reproduction cost less de- preciation
1—San Diego Electric Railway (as per above).....	\$5,704,929 00	80	\$4,563,943 60
2—Point Loma Railroad.....	*217,000 00	75	162,750 00
<b>Totals</b> .....	<b>\$5,921,929 00</b>	<b>79</b>	<b>\$4,726,693 00</b>

\*Record of cost, reclassified.

It does not seem to me that the establishment of a rate base is of practical interest in this proceeding. I make this statement because it is evident to me that a fair return on a proper rate base figure is not here a controlling factor. It will become clear that conditions in San Diego and in the territory served by this street railway system are such that rates which theoretically and on paper might produce a fair return on a fair rate base can not, as a practical matter, be put into effect. If the fare exceeds a certain maximum, traffic will automatically decline to such an extent that the cure will be worse than the disease. And the result would be, in my opinion, the end of this transportation system.

The investment and valuation figures are of interest, therefore, mainly because it can be shown very definitely and very clearly that with this street railway system it is not a question of excessive profits or even of fair return on money invested or on value of property, but it is rather a matter of providing the necessary operating expenses and carrying charges and of creating a condition, if possible, where it is to the advantage of the owners of these properties to give adequate and safe street railway service and to furnish such transportation as will be a valuable service to the public, rather than let the service decline and abandon the property.

#### (c) *Present Financial Condition.*

Below is a balance sheet of the company as of December 31, 1918, showing two sets of figures: the first set based on the reclassified accounts, as introduced by the company in this proceeding, and the second set reflecting the figures on the corporate books of the company.

*San Diego Electric Railway Company.**Comparative Statement of Classified Balance Sheet Accounts with Corporate Books from 1892 to 1918, inclusive.*

Acct. No.		Reclassified	Corporate books	Increase or decrease
<b>ASSETS.</b>				
<i>Investments.</i>				
401	Road and equipment.....	\$5,068,118 83	\$5,159,197 08	\$91,078 25
402	Sinking fund.....	39,800 00	39,800 00	-----
404	Miscellaneous physical property.....	6,677 57	6,677 57	-----
406	Other investments.....	35,000 00	35,000 00	-----
	<b>Total investments.....</b>	<b>\$5,149,596 40</b>	<b>\$5,240,674 65</b>	<b>\$91,078 25</b>
<i>Current Assets.</i>				
407	Cash.....	\$39,393 05	\$39,393 05	-----
409	Loans and notes receivable.....	4,000 00	4,000 00	-----
410	Miscellaneous accounts receivable.....	72,899 62	72,899 62	-----
411	Material and supplies.....	126,676 99	126,676 99	-----
411-1	Equipment held for disposition.....	7,600 00		\$7,600 00
412	Interest, dividends and rents receivable.....	142 13	142 13	-----
	<b>Total current assets.....</b>	<b>\$250,711 79</b>	<b>\$243,111 79</b>	<b>\$7,600 00</b>
<i>Deferred Assets.</i>				
413	Other deferred assets.....	\$2,570 00	\$2,570 00	-----
<i>Unadjusted Debts.</i>				
416	Rents and insurance premiums paid in advance.....	\$2,654 59	\$2,654 59	-----
417	Discount on capital stock.....		3,770,000 00	\$3,770,000 00
418	Discount on funded debt.....	526,559 14	526,559 14	-----
420	Other unadjusted debts.....	7,825 72	41,025 72	83,200 00
	<b>Total unadjusted debts.....</b>	<b>\$537,039 45</b>	<b>\$4,320,239 45</b>	<b>\$3,783,200 00</b>
	<b>Total assets.....</b>	<b>\$5,939,917 64</b>	<b>\$9,806,595 89</b>	<b>\$3,866,678 25</b>
<b>LIABILITIES.</b>				
<i>Stock.</i>				
423	Capital stock.....	\$600,000 00	\$5,000,000 00	\$4,400,000 00
<i>Long Term Debt.</i>				
427	Funded debt unmatured.....	\$3,803,000 00	\$3,803,000 00	-----
<i>Current Liabilities.</i>				
430	Loans and notes payable.....	\$54,074 27	\$54,074 27	-----
433	Matured interest, dividends and rents payable.....	188,200 00	188,200 00	-----
435	Accrued interest, dividends and rents payable.....	303,239 52		\$303,239 52
	<b>Total current liabilities.....</b>	<b>\$545,513 79</b>	<b>\$242,274 27</b>	<b>\$303,239 52</b>
<i>Unadjusted Credits.</i>				
439	Tax liability.....	\$18,064 32	\$18,064 32	-----
442	Operating reserve.....	6,062 85	6,062 85	-----
443	Accrued depreciation—road and equipment.....	1,694,343 04	777,397 64	\$886,945 40
444	Reserve for amortization of franchise.....	32,510 51	14,663 09	17,847 42
446	Other unadjusted credits.....	10,025 19	10,025 19	-----
	<b>Total unadjusted credits.....</b>	<b>\$1,731,025 91</b>	<b>\$826,233 09</b>	<b>\$904,792 82</b>
<i>Corporate Surplus.</i>				
448	Funded debt retired through surplus.....	\$102,000 00	\$117,000 00	\$375,000 00
449	Sinking fund reserve.....	6 00	600 00	-----
450	Miscellaneous fund reserve.....	8,303 60	8,303 60	-----
451	Profit and loss—balance.....	*1,240,525 66	190,815 07	1,049,710 59
	<b>Total corporate surplus.....</b>	<b>*739,622 06</b>	<b>\$64,911 47</b>	<b>\$674,710 59</b>
	<b>Total liabilities.....</b>	<b>\$5,939,917 64</b>	<b>\$9,806,595 89</b>	<b>\$3,866,678 25</b>

\*Loss.

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The details for the yearly balance sheet are found in applicants' Exhibit No. 1. It will be noted that in the reclassification made by the company of the balance sheet accounts there is a difference, as compared with the corporate books, of \$3,866,678. The principal items going to make up this difference are:

1. *Account 401—Change in Road and Equipment (decrease of \$91,078).* This reduction has been made in the reclassified accounts because of property retired and gone out of existence in the past, but which, however, remains on the books of the San Diego company. This item should be permanently eliminated from the company's property accounts.
2. *Account 417—Discount on Capital Stock (decrease of \$3,750,000).* This amount has been entirely eliminated in the reclassification accounts, because such reclassified accounts are based upon the assumption that the stockholders will turn back to the treasury of the corporation the stock to which this discount applies. The entry has no significance in this proceeding.
3. *Account 423—Capital Stock (decrease of \$4,400,000).* In reclassifying the books, it was assumed by the representatives of the company that the stockholders will surrender \$4,400,000 of stock. The item may be eliminated from consideration in this case.
4. *Account 435—Accrued Interest, Dividends and Rents Payable (increase of \$303,240).* This item appears among the liabilities in the reclassified balance sheet for the reason, as explained by representatives of the company, that the company owes to the Spreckels interests the sum of \$303,240 for unpaid interest. From time to time the Spreckels interests have advanced moneys to the San Diego company, which moneys so advanced were repaid either in stock, bonds or cash. It is now claimed, however, that the company still owes the Spreckels interests the sum of \$303,240 for unpaid interest.  
There is no need to pass on the propriety of this claim in this proceeding, for the reason that the item in no way affects the conclusions reached in this decision.
5. *Account 443—Accrued Depreciation on Road and Equipment (increase of \$886,945).* This item is the most important one in connection with the company's finances, as the question of depreciation is probably the controlling factor in the present precarious condition of the company.

It will be noted that there is an accrued depreciation on the property as it exists at present, according to the corporate books, of over \$777,000. On reclassification, the company finds, according to applicants' Exhibit No. 1, that this sum, large as it is, is erroneous and that an additional \$887,000 should be added. We have, therefore, a total accrued depreciation on December 31, 1918, of \$1,664,000.

The accrued depreciation as found by the company through a reclassification of accounts (\$1,664,343) equals 52 per cent of the total value of depreciable property less salvage (\$3,206,262). This is an unusually large percentage and can be accounted for in only two ways: First, that the property has depreciated to an unusually large extent, and, second, that the life of the various property items is unusually short. Both of these conditions exist with reference to certain large part of this property.

It will also be noted that there is no cash item on the asset side of the balance sheet corresponding to this large figure on the liability side. It is a fact that the company has no actual depreciation fund and this fact explains, to a very large extent, the present unfavorable financial and operating condition of the railway system. This matter will be discussed more fully in this opinion.

6. *Account 448—Funded Debt Retired Through Surplus (increase of \$375,000).* This item appears in the company's annual report at \$117,000, while, according to the company's reclassification, \$492,000 should appear instead. This item is not considered in this proceeding.

These six items are the principal ones that call for comment on the balance sheet. Their significance with relation to the financial condi-

tion of the San Diego company is that the actual deficit of the company is less than would appear from the reclassified balance sheet above.

In this connection, attention may properly be called to Decision No. 1851, dated October 6, 1914, in which decision the Commission authorized the San Diego company to execute a mortgage securing the payment of \$10,000,000 general first lien sinking fund 5 per cent gold bonds payable January 1, 1955, and to issue \$4,497,000 of said bonds at not less than 85 per cent of their face value plus accrued interest.

At the time of the Commission's decision, the company reported \$1,625,000 of first mortgage 5 per cent bonds outstanding. Upon investigation, the Commission found that the company had issued its note for \$574,406.73 to J. D. and A. B. Spreckels Securities Company and used the moneys obtained through the issue of the note to pay for construction properly chargeable to capital account. In addition, the Commission found that the company, prior to April 30, 1914, had paid out of income for construction purposes \$302,438.26. In its decision, the Commission, as hereinbefore stated, authorized the issue of \$4,497,000 of bonds, for the purpose of refunding the outstanding \$1,625,000 of first mortgage bonds, the refunding of \$574,406.73 of notes, the reimbursement of the company's treasury to the extent of \$302,438.26 and to pay for necessary additions and betterments, the cost of which was estimated at \$1,523,957. Reports filed with the Commission show that the company, under the authority granted in Decision No. 1851, issued \$3,920,000 of bonds—\$117,000 of which have since been redeemed, leaving \$3,803,000 outstanding on December 31, 1918.

Through the issue of \$3,920,000 of bonds, the company refunded the \$1,625,000 of first mortgage bonds outstanding, the \$574,406.73 of notes, and reimbursed its treasury because of expenditures on capital account in the amount of \$1,032,593.27. While the company, through the authority granted by the Commission, in its Decision No. 1851, increased its bonded indebtedness from \$1,625,000 to \$3,920,000, the fact remains that, except for the discount on the bonds, the increase in the bonded indebtedness was due to the fact that the company had expended more than \$1,600,000 on capital account, against which it never had issued either stock or bonds and which might properly be capitalized.

(d) *Future Financial Condition.*

The future financial condition of the San Diego company is bound to grow rapidly worse unless greater revenue or reduced expenses, or both, can be obtained. It is clear to me that in the past the company has been able to make dividend payments (a total of \$425,000 was paid in cash dividends in the period from 1909 to 1915, not including

the stock dividend of \$650,000 paid in 1908) and to meet all of its fixed charges only because the necessary provision for depreciation was not made. If this practice is permitted to continue, the company will soon find itself in a position where it can no longer operate its property without the expenditure of very large sums of money which can not possibly be charged to capital account and against which no additional securities can be issued. If operation is to continue, it is absolutely necessary that a considerable portion of the property be rehabilitated in the near future, and new money must be provided in order to bring this about.

It is my belief that with a proper understanding of the issues involved and of the actual conditions confronting these applicants and the people served by them, a plan can be worked out by which the company will be relieved from certain franchise and service burdens which will make it possible to bring the necessary new money into these properties.

I am equally convinced that with thoroughgoing operating and service changes as will later on be suggested in this opinion, and with efficient and public spirited management, financial results can be brought about that will make the property of the San Diego company a valuable and profitable asset to its owners and to the city of San Diego and the other communities served by this street railway system. The rehabilitation of the property seems to me absolutely essential, and unless proper provision is made in the future for an adequate depreciation fund, no amount of rate increases will bring the desired results.

(e) *Physical Condition of Properties.*

The physical condition of a portion of the track is such that reconstruction under the best possible standards suited to this system is an immediate and imperative necessity. It is not practicable to accomplish all that needs to be done within the near future, and a reconstruction program will have to be adopted covering several years. It is also necessary—although of less immediate importance than track reconstruction—that provision be made for the acquisition of new types of equipment suited to present-day conditions, in order that operating expenses may be reduced and net revenues may be increased.

This, I believe, can be accomplished, to a very material extent, by the operation in practically all of the San Diego territory of one-man cars.

There has been introduced as company's Exhibits 20 and 28 a program of track reconstruction made by Mr. A. Ervast, the chief engineer of the Spreckels Companies. This program has been gone over thoroughly by our chief engineer, and he urgently recommends the

adoption of this plan in its entirety. In my opinion, the program embodies the necessary minimum, and I suggest that the Commission urge upon the San Diego company the acceptance and the carrying out of that program.

Inasmuch as this matter of track reconstruction really amounts to one of rehabilitation of service, it is, of course, of great importance and interest to all of the communities affected—especially to the city of San Diego.

The amounts of money required for this purpose for the various years are estimated as follows:

<i>Year</i>	<i>Estimated cost</i>
1919.....	\$566,789 55
1920.....	273,809 21
1921.....	424,702 94
1922.....	525,140 07
1923.....	864,453 35

The present *equipment*, to the extent that it can be replaced by more economical equipment (from the standpoint of operation), should be retired progressively as early as possible and should be replaced by lighter and more economical cars. I have no doubt that with such equipment, the frequency of service on a number of car lines can be increased, with great resulting benefit to the company and the public alike.

The Commission's engineering department has also made a preliminary study of the San Diego company's power problem. The study is not yet completed and will be carried forward. In 1906 the separation took place between the street railway and the electric light and power business then operated together by the Spreckels interests in San Diego. The San Diego Consolidated Gas and Electric Company took over a portion of the electric generating plant, while another portion of the plant was retained by the street railway company. This portion, which was enlarged and renewed in 1911 and since, furnishes power for the operation of the system at the present time. The generating plant, together with the buildings, power plant equipment and substation equipment, is included in the valuation of the San Diego company's property in the estimate of reproduction cost at over a million dollars.

In the year 1918 there were charged by the company operating expenses of \$186,500 directly against "power" (not including overheads and general expenses and not including interest, but including depreciation). With a maximum peak of 2500 kilowatt and a maximum daily consumption of 40,000 kilowatt hours and a yearly output of

approximately 11,000,000 kilowatt hours, the unit power cost is estimated for the year 1919 at 1.22 cents per kilowatt hour, exclusive of general overhead and general administrative expenses, depreciation and interest. Were interest and depreciation on the present plant added to this unit cost, the total charges, assuming 6 per cent interest, would be approximately 2 cents per kilowatt hour. This is a very high power cost.

The Commission will lend its assistance in working out a solution of this power problem that may result in a decrease of operating and fixed charges and may be of benefit to the street railway and the power company.

### 3. Remedies.

I shall discuss possible remedies under three headings, (a) Service, (b) Depreciation Fund, and (c) Rates.

#### (a) Service.

With the jurisdictional issue out of the way, it will be possible to consider questions of service on their merits and from the standpoint only of what is to the best interests of the public and of the applicants. Taking up the possibility of *modification of certain franchise conditions*, the item of paving is the most important. In this connection I wish to quote the statement of Mr. Cosgrove, the city attorney of San Diego, made at the hearing held in San Diego on October 8:

"There are one or two matters that I would like to refer to particularly. First, the important matter of paving. In that connection, we are confronted with a provision of the city charter. We are not confronted merely with a provision of the franchise which is, by the way of ordinance, susceptible of amendment, but we have a provision of a municipal charter. Under the terms of this charter the owner of this street railway franchise is compelled to pave between its rails and for two feet on either side of its tracks whenever ordered to do so by the common council. Under the Vrooman Act the proceedings have been initiated, and in many instances finished. The obligation to pave those streets has already, I believe, been incurred by the city railway company. They are legally obligated and bound to pave the streets that have been paved, on both sides of their tracks, and there is no way, as I understand the law, of relieving them from that responsibility, and as I understand the statement of counsel for the street car company, the applicant herein, that is their impression also.

"With reference to future pavements, as long as the charter provision remains as it is, why, the city council consider that they are obligated to take the same action that they have taken heretofore. In addition to the obligation of the charter, the city council are informed by the engineers that by reason of the character of soil here, the adobe which we have on many of our streets, that if you were to pave the street on both sides of the street car track and not pave the portion between the rails and the tracks, that the water would get under the pavement and that it would within at least two seasons completely ruin it. So that it is simply a question of being compelled, not simply by reason of charter provision, but also by reason of the character of the soil of the streets, if you pave any portion of the street to pave the entire street.

"I want to say in this connection, Mr. Commissioner, that I am not unmindful—that the common council are not unmindful—of the fact that where the street car

company's fare is fixed by the Railroad Commission, that ultimately the man who rides on the street car pays for the pavement. We understand that. And if the charter were different than it is, I am sure the city council would have an entirely different attitude. But with the charter provision as it is, the common council have no discretion; they have no authority to do other than as the people, speaking through the charter, have directed them to do, and as the street car company, in accepting their franchise under that charter provision, have agreed to do. There are many streets in this community that have been paved by the property owners and have not been paved by the street car company. The city authorities are aware of the financial condition of the street car company. It is the desire of the municipal authorities to extend to the street car company any grace that the Railroad Commission will recommend. In other words, the paving program which, in your order, you will outline, will be our pleasure in the matter. We simply ask that in the order the applicant be compelled to file with the council and with the Railroad Commission a statement that in following the program outlined by the Railroad Commission, they agree that the statute of limitations may not run against them with reference to being compelled to comply with their franchise promise."

I may be permitted to say that this attitude of the representatives of the city of San Diego as expressed by the city attorney appears to me a thoroughly constructive one and one that, if adhered to, will go a long way toward solving many of the serious and pressing problems now confronting the city of San Diego as well as a great many other cities and the companies furnishing street railway service. Under existing conditions and under existing laws, it is impossible in such matters and in certain other matters of service, to reach a solution unless it is by sincere and continued co-operation between the cities, the companies and this Commission. A mere passing of jurisdiction from one body to another will not answer. It is quite proper and, indeed, essential, in my opinion, that the people of our cities in which we have street car operation, through their representatives, should show a keen interest and should have an effective voice in matters that affect the life of their community so intimately and powerfully as does transportation.

Mr. Cosgrove also said this:

"Mr. Commissioner, it is no admission of secret fact to say that the organization of a municipality—this or any other in this commonwealth—is entirely inadequate to reasonably and correctly establish the rules, rates and regulations for the applicant in this case, or any other public utility operating in the particular municipality. I say to you frankly what everyone must know, and that is that this municipality is without semblance of organization to carry on an investigation such as is being carried on by the Railroad Commission in this case. \* \* \*

What Mr. Cosgrove says is true for all except, perhaps, the very largest of our cities. It does not seem to me, however, that the availability or the lack of a sufficiently large technical organization to go into the details of such public utility problems is as much an item of difficulty as is the willingness or the unwillingness of the various parties to get together and face the actual facts and make a decision on the merits of the case.



The sound point of view from which to approach the matter of paving in city streets occupied by street railway tracks appears to me this: expensive paving construction should not be required and insisted upon by the city unless it can be shown that the people are actually benefited by requiring such expenditures and unless a different or less expensive type of construction would not better serve the needs of the street railway and of the city. I have become convinced that in many cases the standard franchise clause, regardless of conditions, under which the company assumes the obligation of bearing the expense of street paving between the rails, and for two feet on the outside of the rails, is no longer in the best interest of the community.

It is clear, of course, that under the present system of accounting for capital expenditures and for operating expenditures, all paving expenditures made by the company are charged either to capital account or to maintenance account and that all such expenditures, without exception, must ultimately be borne by the public through the street car fares contributed by the company's patrons. The cost of all paving, therefore, is borne by the people who ride on the street cars. It is equally evident that it is not the people who ride on the street cars who profit by such paving. On the contrary it can be demonstrated that they are the further losers because of longer running time, all kinds of delays and other handicaps to swift and efficient service.

Matters stood differently in the past when these franchise provisions were first established. Then street railway operation was a speculative and oftentimes a highly profitable business. The assumption of the obligation on the part of the street railway companies to bear the main part of the cost of street improvements on such streets as were occupied by their tracks was the expression of an effort on the part of the communities to share in the street railways' profit. This franchise clause dates from the time of the horse car, when the street car horses used the pavement between the rails as much or more than other horses drawing other vehicles on both sides of the track. This was before the day of the overhead electric trolley and the automobile. If the old conditions existed today, no possible objection could be made to the continuation of the old practice. When, however, the cost of such work no longer comes from the profits of the company but is borne by a portion of the very people who are supposed to benefit by the franchise requirements, then the matter appears in a different light. In not a single instance today are paving costs of any nature paid out of profits—that is, out of surplus.

There is no doubt that during the last few years the speculative element has been entirely eliminated from street railway profits. And

in the majority of such properties it is not any longer a question of profits at all. It is now at best a question of moderate returns on actual property values or investment and more often is merely a problem of how to meet operating expenses, depreciation, and the actual cost of money.

These things being facts, it becomes absolutely essential to eliminate all unnecessary expenditures such as street paving in cases where open track would be more economical and would actually serve the needs of the public better than closed tracks, and other matters of this nature.

Suggestions and recommendations are made in detail in our chief engineer's report. These recommendations show the streets and the portions of streets in San Diego where, in his opinion, a modified type of track construction is practicable. He has also made certain suggestions as to possible traffic regulations to divert traffic from street railway streets to neighborhood streets without car tracks.

It would not seem necessary, nor is it feasible, in this decision to go into the details of these suggestions and recommendations. As a matter of fact, it would appear unwise to lay down in matters of this kind suggestions for a definite and unyielding program when, in the nature of things, such recommendations must be modified from time to time in accordance with changing conditions. It occurs to me that a working arrangement, substantially as follows, would prove feasible, depending, of course, to a large degree, for its success upon the good faith and upon the sincere co-operation of all the parties to the arrangement:

A permanent "paving committee" might be created, consisting of the chief engineer of the applicants and the city engineer of the city of San Diego. It should be the duty of this committee to recommend such paving modifications as may seem desirable from time to time. The recommendations should be definite, with detailed specifications and estimates of costs and of savings. In case these engineers can not reach an agreement, the matter should be referred to this Commission, and the city and the company should agree that the Commission's decision should be final. In accepting the committee's recommendations, the company should agree, by appropriate language, that "the statute of limitations may not run against them with reference to being compelled to comply with their franchise promise" as suggested by Mr. Cosgrove in his statement on October 8 and as quoted above. It should be agreed that this paving committee commence its functions immediately and continue until further instructions of this Commission and that it make its recommendations at least twice a year, on January 1 and on June 1.

It should be understood that in general the paving modification to be considered by this committee should, to begin with, follow the scope of the recommendations on this subject in Commission's Exhibit I.

If other municipalities served by this system are similarly affected by the paving situation, similar "paving committees" with similar functions should be created for these municipalities, consisting, in each case, of the chief engineer of the street railway company and of a representative of the community.

The importance of this item of paving can, perhaps, best be indicated by the statement that the paving costs to the San Diego company in the city of San Diego directly and indirectly amount to approximately \$100,000 per annum, and that a change from paved to open track, as discussed in Commission's Exhibit I would result in an annual saving, after the entire program has been carried out, of about \$33,000 and a saving of permanent capital expenditure of about \$285,000.

As already indicated, it is not my intention to suggest adherence to a rigid program but rather to provide the means of a prompt and continuous adjustment of the paving question for the future.

There seems to be agreement between all parties that further operating economies should be brought about through *headway changes* and *elimination of nonpaying or duplicate service* on certain lines. Headway changes already put into effect by the company have, according to the engineers' estimate, resulted in a saving of \$17,000 per annum.

As was the case with the possible paving modifications discussed under the previous heading, it does not seem necessary in this opinion to go into the details of the proposed rerouting schedules or of proposed trackage elimination. The proposals are set forth fully in Commission's Exhibit I and in exhibits introduced by applicants, by the city of San Diego and by Mr. G. F. Glidden, representative of Kensington Park and Normal Heights.

In this matter also it is not desirable to fix upon a rigid program. The program should be tentative, rather, and modified from time to time to fit existing conditions and especially the needs and convenience of the public. It will be sufficient to indicate in the following schedule the proposed plan on certain lines in comparison with the present operating schedules:

*Present Schedule, Daily Mileage, etc., on Routes Nos. 5, 6, 8 and 13, in comparison with Schedule Daily Mileage, etc., on Routes Nos. 5 and 6 under proposed plan of rerouting and elimination of service.*

Route No.	Line	Headway	One-man cars	Men	Mileage	Car hours	Speed, miles per hour
5	<i>Present.</i> K street	20-minute through headway	4 through	8	732.10	76:16	East end 7.80 miles per hour North end 11.40 miles per hour
6	First and Market streets	20-minute through headway 10-min. tripr. 3d and F to 1st and Laurel, 5:10-6 p.m.	2 through 1 tripper	4	612.23	39:10	8.10 miles per hour
8	F Street line	15-minute through headway	2 through	4	273.66	36:40	7.28 miles per hour
13	Third Street line	15-minute through headway	2 through	4	386.23	37:42	10.28 miles per hour
	Totals, present schedule		10 through 1 tripper	20	1,763.21	189:48	
5	<i>Proposed.</i> Old Town line— Old Town to Fourth and F via Fourth and Broadway Loop	15-minute through headway	3 through	6	614.43	57:31	10.70 miles per hour
6	First, Market and Woolman Avenue Line— First and Washington to Thirtieth and Woolman, via Laurel, First, Broad- way, Third, Market, Twenty-fifth and Woolman avenue.	20-minute through headway 10-minute swing, 6:40-9:00 a.m. and 3:00-8:00 p.m., 1st and Laurel to 25th and Market	4 through 2 swing	8	634.26	76:57	8.25 miles per hour
	Totals, proposed schedules		7 through 2 swing 3 through 1 tripper 2 swing	2	119.13	16:00	8.10 miles per hour
	Decrease			16	1,367.57	150:28	
	Increase			4	335.34	39:20	

The financial results from such operating changes are estimated as follows:

Additional operating revenue .....	\$200 00
Reduction in operating expenses.....	20,652 00
<hr/>	
Reduction in operating expenses.....	\$20,852 00
Additional railway taxes.....	32 00
<hr/>	
Net reduction in operating expenses.....	\$20,820 00

The Commission's chief engineer has suggested, and the city of San Diego and the San Diego company appear to concur, that elimination of certain duplicate and nonpaying service and of certain trackage can be brought about as follows:

The K street line in the city of San Diego should be extended from K and Twenty-fifth streets along Twenty-fifth street to Market street and the K street service should be operated from Market street and the line abandoned from Twenty-fifth and K streets to Sixteenth street. The entire F street line from Twelfth and F streets to Twenty-fifth and F streets can be abandoned and service suspended from Third and F streets to F and Arctic streets.

It is further proposed in Commission's Exhibit I, and is apparently concurred in by the company, to construct tracks on Laurel street between Fourth and Fifth streets and to divert the traffic originating west of Fifth street and in the vicinity of First and Walnut streets to the business center of the city via First street north and the First street line between First and Laurel streets to Third and B streets. The street railway track on K street from Sixteenth street to Twenty-fifth street can possibly be taken up; also the track on F street between Twelfth street and Twenty-fifth street and on Twenty-fifth street between Broadway and F street.

The suggestions that were made by the city and were set forth in detail in the city's exhibits, modify and amplify this tentative program to some extent. Studies are now being made by the Commission's engineers to ascertain what effect on traffic, on operating conditions and on revenue such modifications would have. It does not seem necessary to me that the Commission should delay its decision in this proceeding until these studies are complete. I recommend that the San Diego company be authorized to work out and carry into effect such headway and service changes, in line with the program indicated above and contained in Commission's Exhibit I, as may appear feasible and desirable at this time. I further recommend that the San Diego company immediately and prior to the putting into effect of such service changes file with the Commission and with the city of San Diego a statement in detail showing what changes it will put into effect.

Similar statements should also be filed with the city authorities of the city of East San Diego and the board of supervisors of the county of San Diego in so far as these service changes affect these communities.

This will also dispose of Application 5009 in which the San Diego company asks the Commission to authorize discontinuance of service over the following lines:

**IN THE CITY OF SAN DIEGO:**

*On Adams avenue—*

From the west line of Alabama street east to the city limits..... 0.855 miles

*On Spruce street—*

From Fourth and Spruce streets west on Spruce to First street  
and on First street north to Washington..... 0.922 miles

*On M street—*

From Thirty-second street east to Greenwood Cemetery..... 1.046 miles

*On K street—*

From Sixteenth and K streets to Twenty-fifth street; on Twenty-  
fifth street south to Grant avenue, east on Grant avenue to  
Woolman avenue and on Woolman avenue east to Thirtieth street 1.465 miles

*On F street—*

From Sixteenth street east to Twenty-fifth street and on Twenty-  
fifth street north to Broadway..... 0.679 miles

*Logan Heights line (known as Route No. 12)—*

Beginning at Sixth and Market streets; thence east on Market  
street to Sixteenth street; thence south on Sixteenth street to  
Logan avenue; thence on Logan avenue east to Twenty-sixth  
street; thence south on Twenty-sixth street to National avenue;  
thence on National avenue east to Thirty-first street..... 2.570 miles

**IN THE CITY OF EAST SAN DIEGO:**

*On University avenue—*

From the east line of Fairmount avenue east to Euclid avenue..... 0.490 miles

**IN THE COUNTY OF SAN DIEGO:**

*On Adams avenue—*

From the east city limits east to Kensington Park..... 1.280 miles

It appears from this application that the principal reason for the abandonment of services contemplated in this application is the expectation by applicant of large capital and operating expenditures that will have to be incurred because of paving requirements already made or to be made by the communities in question. In view of my recommendation in the matter of paving and in view of the expressed declaration on the part of the city authorities to co-operate to the fullest extent with the Commission in eliminating all unnecessary expenditure for new paving not absolutely essential, it is probable that applicant may wish to modify the abandonment program contained in Application 5009.

In any event, I am not ready at this time to agree to the abandonment of service and the taking up of track on any of these lines and before any order is made on this subject, the company should submit further proof that such abandonment is justified.

There remain to be considered under this heading of service changes the San Diego company's Fifth street line in the city of Coronado and the line of street railway owned by the Point Loma Railroad Company and operated by the San Diego company in the city of San Diego.

Considering first the Coronado Fifth street line, it appears to be an established fact that this line is not self-sustaining and service is given to but very few people. There is also very little doubt in my mind that the few residents now served by this line can be accommodated by the remaining service in Coronado.

Mr. Puterbaugh, representing the city of Coronado, said that his city would be willing to agree to the abandonment of this line provided there was no increase in rates, but if there was to be an increase in rates, then the city would object to the abandonment and would ask to have the line maintained. He justified his position by pointing out that the operation of the Coronado lines taken together, but considered as a separate proposition and apart from the system's operation in San Diego and elsewhere, showed a profit to the company and that, therefore Coronado should be entitled to the benefits of its particular and advantageous situation.

I find myself in partial agreement with this contention. Street railway service in any one community and on any one line should, in so far as such a condition can be brought about, stand or fall on its merits. Where public necessity and convenience does not demand the continuation of service on a particular line, and where such operation is not self-supporting and where there is no prospect of its becoming so, then there is no reason why the balance of the system should be burdened with such a loss and the service should be discontinued, unless there are very strong considerations of operating or other reasons making necessary the continuation of such a service. In my opinion, if this principle is adhered to, continued service over the Fifth street line in Coronado is not justified. I am not in agreement with Mr. Puterbaugh, however, when he insists that this service should be maintained or abandoned by reason of what is done in the matter of rates.

The rate situation, I believe, must of necessity be considered on its own merits. It is my recommendation, therefore, that service on the Fifth street line in Coronado be discontinued. I am not, however, recommending the taking up of any track, the salvage from which would be very small. It appears that certain special service is given over this line at certain times, and there is no reason why it should be made

impossible for the company to render such extra service when it can be done without loss.

The Point Loma situation was fully gone into in the main proceeding and is quite exhaustively dealt with in Commission's Exhibit I. It is also the subject of the Point Loma company's Application 5008. In that application the Point Loma company proposes to abandon the entire railway and the municipal authorities of the city of San Diego are asked to consent to the abandonment of the franchise.

It is apparent that the Point Loma service is now operated at a loss. In Commission's Exhibit I the situation is reported as follows:

"The evidence submitted is to the effect that there are not enough car riders served by this road to produce sufficient money to operate the road as an independent corporation. It is suggested to the Commission by the company that the most feasible plan is to have the San Diego company lease the properties of the Point Loma road. This suggestion is proposed on the basis of an 8 per cent return on the investment in physical property of the Point Loma Railroad (not including the loop) amounting to \$180,257.16, plus annual depreciation at \$6,900. If this were effected, the operating results for 1919 would be as follows:

Eight per cent return----	\$14,420 57
Depreciation -----	6,893 62
Maintenance and operating expenses-----	46,032 49
<b>Total expenses -----</b>	<b>\$67,346 68</b>
Operating revenue -----	51,537 50
<b>Deficit -----</b>	<b>\$15,809 18</b>

"It is estimated that under the zone plan recommended above, the increased revenue would just about offset this deficit.

"The lease is suggested by the company as the only possible way in which the residents of Point Loma can be provided with street car service. It is apparent that the proposed 8 per cent return can not be paid out of the property's earnings and the result will be that the San Diego system will carry the Point Loma line's losses. The alternatives are either immediate abandonment or continued operation for another experimental period. In view of all circumstances, operation might continue for some time. If, after six months or a year, it is found that the actual results are not up to the estimates, or if other factors, as noted hereunder, are introduced, the matter can again be considered.

"At present the raising of Tide street is contemplated by the city. This street is occupied for nearly a mile by the Point Loma Railroad, and this work will necessitate an expenditure of approximately \$60,000. On the other hand, the establishment of a marine base may make it possible for the Point Loma Railroad to handle freight between the Santa Fe and the base and in this way to add to its revenue. Other government activities on Point Loma are now under consideration and may result in increased traffic. With these important factors in suspense, further experiment with the road seems justified."

I see no reason why the proposed lease arrangement would prove of advantage to the company and do not recommend its approval by the Commission. Neither do I believe that under the circumstances set forth in the engineering department's report quoted above, the complete abandonment of the line at this time is justified. Further experiment as suggested should be carried on and the Point Loma company should be instructed to keep its accounts in such a way that the results



of this further experimentation can at any time be made available to the Commission. The Point Loma company should be asked to report at the end of six months the result of the proposed plan.

There does not appear to be any justification, however, for continued service over all of the Point Loma lines.

I recommend that the service over the so-called Point Loma loop line be continued over the northerly and westerly part of the loop only as far as Defoe and Santa Cruz streets and that service be discontinued and track taken up over the southerly and easterly portion of the loop between the intersection of Defoe and Santa Cruz streets to the junction point on Brighton and Warrington streets. A shuttle car service might be operated during the busy hours of the day from this latter junction point, along Brighton and San Clemente streets as far as Del Mar street.

The possibility of eliminating the expenses of the proposed paving of Tide street referred to in the quotation above is one of the subjects that should be considered by the "Paving Committee." It may be possible to raise the street railway grade on this street sufficiently to permit of safe and convenient operation and also to adopt open track construction with ballasted track.

*(a) Rehabilitation of Property and One-Man Cars.*

With the relief granted the company through the adoption of the recommended service and operating economies and such other financial relief as will be given, it seems to me absolutely essential and incumbent upon the applicants that the property, and especially the track, be put immediately into absolutely safe and good operating condition. There is complete agreement in this proceeding on the part of the applicants, the city and the Commission that many of the lines on this system are not in a good state of repair and that on some of the lines operation is positively dangerous. This condition can not be allowed to continue. Rehabilitation of the track is so clearly in the interest not only of the public but of the applicants that it is difficult for me to see why a construction and maintenance program should not be immediately adopted and carried out by the owners. If this is not done, operating savings and rate increases will be temporary expedients only and will not really benefit the public or the applicants. Service will continue to deteriorate and traffic will necessarily decline, and as a result net earnings must disappear.

There is before this Commission and also before the applicants the complete and detailed construction program worked up by the chief engineer of the applicants, Mr. A. Ervast, and examined and approved by the chief engineer of the Commission. I have already referred to the amounts estimated by the company's chief engineer as necessary for

this purpose. The San Diego company should be required, in my opinion, to file monthly estimates with the Commission based on Mr. Ervast's construction program and show, in quantities and in money, what has been done each past month to carry this program into effect.

The matter of one-man cars was gone into very fully in the exhibits filed and the testimony given by applicants and also in the engineering department's investigation. I have become convinced that a radical change in equipment such as has become available through the development of the one-man car may prove one of the means of saving many street railway systems where the totals of operating revenues and of operating expenses come closer and closer together. And in the San Diego situation particularly, it seems to me, this type of equipment is especially adapted to successful operation and will prove eminently satisfactory to the public as well as to the company.

Studies made in Commission's Exhibit I indicate that the reduction in car mileage costs for such equipment will be so material that the cars will pay for themselves out of savings in a very short space of time. If these estimates are correct, it would certainly seem wise on the part of the applicants to make every effort to secure the necessary money for the immediate acquisition of at least a sufficient number of such cars to enable them to make a thorough experiment. Since it seems to be agreed that the result would be better service at less cost, the Commission and the city are, I believe, justified in lending all possible assistance to bring this about.

*(b) Depreciation and Depreciation Reserve.*

The principal cause for the present physical and operating difficulties of this street railway system is found in the fact, in my opinion, that insufficient provision was made by applicants in the past to take care of the depreciation of their property.

So much has been said in the past in decisions of courts and commissions on this subject of depreciation that I hesitate to add to the discussion. In this proceeding, however, the question of depreciation has assumed such proportions that it will be necessary for the Commission to deal with the subject by a definite order.

Applicants admit that their books and accounts and the annual reports on file with this Commission do not properly reflect the actual condition of the property because, on the one hand, no proper account has been kept of such property as has gone entirely out of existence or of the wastage of property, and, on the other hand, money has not been set aside to take care of such wastage. The corporate books show an accrued depreciation of approximately \$777,000. The applicants themselves, however, in their Exhibit II, estimate that the actual accrued

depreciation on December 31, 1918, was \$1,654,000. When there is such a large difference between the actual physical condition and the supposed condition of a property, it is, of course, inevitable that sooner or later there must be a total collapse.

It must be self-evident that the wastage in property called depreciation (which goes on regardless of whether its existence is acknowledged or not) can, in a public utility, be taken care of in only three ways: first, general operating expenses may take care of all maintenance replacements and renewals as they occur; second, new money which is added to capital account may be found for these purposes; or, third, knowing that depreciation is always at work, a fund may be set aside to make good the losses when they occur. If none of these things are done, the property and the service simply disappear.

With public utility properties it is no longer open to question that from the standpoint of the public and of the owners of the utility the only safe and economical method of dealing with this situation is through the creation of a depreciation reserve. This principle is recognized to such an extent that probably there is today no utility that does not set aside a depreciation reserve. It is true, however, that there have been occasions where the moneys so provided were used for purposes other than those for which they were intended.

There is no disagreement on these points in this proceeding between the applicants and the Commission. The cities also concur. The one and most important thing left for the Commission in this proceeding is to determine whether it will be satisfied with the creation of a depreciation reserve, or whether it shall go a step further and require the establishment of a depreciation fund, and if the latter, the manner in which the fund shall be held, used and accounted for; and the amount which shall be reserved for depreciation or paid into the depreciation fund.

It is my recommendation, because of the facts and circumstances of this case, that the Commission require applicants to establish a depreciation fund, pay into such fund monthly in case the amount hereafter specified, and regard the fund as a trust fund strictly, to be invested, administered and used by applicants under direction of this Commission.

It will be necessary, I believe, to work out rules for the accounting and use of this fund, and I suggest that the applicants be asked to submit to the Commission immediately whatever views and recommendations they may have in this matter. Such rules should not be effective until approved by the Commission.

There is a large difference between the engineers of the applicants and the chief engineer of this Commission as to the amount that should be set aside annually for this purpose. The San Diego company, in

view of the present condition of the property and in view of the company's past history, urges that an annual allowance of not less than \$310,293 be made. Mr. Sachse points out that this total is equal to 29½ per cent of the estimated gross income and to over 5½ per cent of the total reproduction cost of all the company's operative property and to nearly 10 per cent of the total reproduction cost of the company's depreciable property. He contends that the company's figure is too high. He has worked up a depreciation schedule resulting in an annuity of approximately \$218,000 a year and suggests that \$18,000 per month or \$216,000 per annum be paid out of gross earnings into the depreciation fund.

I am inclined to accept the figure of our engineers. The applicants have had no actual depreciation fund in the past and to whatever extent a real fund is created, to that extent there is improvement over the condition of the past. It is not desirable that there should be deducted from the gross earnings of the company a sum larger than is absolutely necessary. While I am in agreement with the proposition that payment into the depreciation fund should come ahead of both interest and other fixed charges, I do not consider it desirable to bring about a condition where at least a portion of the bond interest can not be paid for an indefinite period of time. It should also be remembered that the operating expenses of the company have not been reduced in the engineering department's estimate of future operation. With an actual fund in existence in the future, it will not be necessary to burden operating expenses with items of replacement and renewals that should be met through this fund.

The fund is not intended to make good the losses of the past; its function is to provide for the future. With the construction standards better suited to the conditions under which this property operate and with the abandonment of a number of lines on which depreciation appears to be particularly heavy, the fund will go further than would be the case if conditions remained as they are at present.

It is also true that the sum determined to be set aside is even at best but an estimate for the future. It will certainly be subject to revision from time to time; not only because our knowledge of actual requirements will be more complete and more accurate after a few years, but also because the amount of property to be covered by the depreciation insurance will continually change through additions on the one hand, and abandonments on the other.

I believe, therefore, that our engineering department's estimate should be accepted by the Commission and that the sum of \$18,000 should be set aside each month until further order of the Commission.

All earnings of the fund, from whatever source and to whatever amount, should be added to the fund.

(c) *Rates.*

The two governing principles in rate fixing for street railway utilities must be these: First, the fare must be a figure that will make it possible and attractive for people to use the street cars; and, second, the fare must produce sufficient revenue to pay for the cost of the service.

These two principles carry within themselves very definite upper and lower limits beyond which it is impossible to go in the fixing of rates. It has been established as a fact in this proceeding that, with all possible operating economies in effect, the 5 cent fare does not pay the cost of service on this system; and the owners of the property can not be expected to continue service at an ever-increasing loss. There remains, therefore, only two alternatives: either service will have to be discontinued or additional revenue must be provided.

The upper limit of the fare is equally fixed. The kind of transportation furnished by street railway companies is no longer a monopoly. The development of the automobile has brought about a condition where the motor vehicle will automatically take the place of the street railway if this kind of transportation can be rendered more economically by automobile than it can be by the street car. This is especially true in California. I am not convinced, however, that the time has arrived when our largest cities can dispense with their street car systems. I am also satisfied that the electrically operated street car will have the better of it when compared with the motor vehicle in regard to actual costs, and when all items of cost are taken into consideration as they should be and if unfair and unequal burdens are not placed on the street railways. This is especially apparent when modern street railway equipment is taken into the comparison.

Careful estimates of revenues and expenses for various rates and systems of rates and under various methods of operation have been made by the applicants and by our engineers. Under the present method of operation and with present fares, the Commission's engineers estimate that not more than approximately \$1,015,000 in gross passenger revenue can be expected in the next twelve months. Against this income there will be operating expenses, taxes and depreciation of approximately \$1,040,000, leaving \$25,000 loss without taking into consideration any fair return on investment or property values.

It is estimated that approximately 16,390,000 passengers will be carried in the next twelve months with the present fares in effect. Every increase in fare will decrease this number to some extent.

There is agreement between the engineers of the cities, the companies and the Commission that if the fare were put higher than 7 cents, the falling off in traffic would more than wipe out any increase in revenue from the increased fare. Our engineers also estimate, and are very definite in their conclusion, that a 7 cent flat fare will not produce the necessary revenue. In addition to that, I am of the opinion that a 7 cent flat fare is too high and should be avoided if there is any other remedy. Under all the circumstances the only alternative remedy appears to be the *zone system*.

The adoption of the zone system is recommended by the Commission's engineers and also by the company. It is opposed by Mr. Cosgrove, as counsel for the city of San Diego, although it is a fact that the mayor of San Diego, Mr. Wilde, appeared at the last hearing in this proceeding and in an extended statement endorsed the zone system. The representatives of the other municipalities concerned did not oppose the zone system but desired that there shall be no discrimination against their own particular municipality, and unquestionably there is a very substantial part of the community which vigorously opposes the zone system. In the last analysis, however, the sound solution of what is by all parties conceded to be a most serious situation in the San Diego street railway service becomes to a greater degree the responsibility of this Commission. Leaving the solution to popular expression would not be a remedy as the ever-present factor of personal, pecuniary and business interest would of necessity be reflected, to say nothing of the honest and unselfish difference of opinion which divides in all such questions any considerable number of people.

A great deal of diligent study and thought has been given to this problem by this Commission and its staff and the matter has had a thorough consideration from all angles. There has been in our minds only the desire to find the solution which will come as near to a just and proper solution as conditions will permit.

While I am of the opinion that the zone system can not be adopted indiscriminately for other cities, I am of the belief that the reasons advanced for its adoption in San Diego by our chief engineer in Commission's Exhibit I are substantially sound:

1. "It is now an accepted principle of rate regulation of all public utilities that the rate should be in the closest possible relationship to the cost of the service. In street railway service this means that the short-haul passenger should not bear an undue proportion of the cost of the long-haul passenger. I say 'undue proportion' because with the 5-cent fare remaining in effect in the short-haul district, it is inevitable that the short-haul passenger will continue to bear a share of the cost of the long-distance traffic in any event. But this share should not be disproportionally increased.
2. "In a city of such large area as San Diego (79 square miles) it is a practical impossibility to adhere to the 'one city—one fare' plan. As a matter of fact, the zone system is in operation in this city now.

3. "The zone limits proposed for San Diego will give the benefit of the 5-cent fare to the bulk of the population, including the working population.
4. "A zone system will tend to build up the territory within the 5-cent zone, a result that is of benefit to the city as a whole and is more to be desired than the continuing of indiscriminate real estate development within a very large one-fare radius.
5. "The adoption of a zone system is much more likely to secure to the company the necessary additional revenue than a flat increase. This is true because a large amount of short-haul business would be lost to the company under a flat increase, while under the zone system this most profitable part of the business will remain and will continue to increase.  
 "This feature is the most important one from the standpoint of the company. Experience in a considerable number of other communities of large territorial extent where the experiment of a flat fare increase has been tried and has not had the desired result, shows that the tendency in all such localities (and wherever a careful study is made of the subject) is towards the establishment of an equitable zone system.
6. "Another principle that is well recognized and has been consistently adhered to by the Commission is that the regular passenger should have the benefit of lower fares (wholesale service), while the occasional street railway patron should bear his proportion of the 'stand-by' cost of the service. With street car and interurban systems, this means a low commutation and higher single fare. This principle will be recognized in the proposed zone system in the San Diego territory."

It is proposed to establish two zones, an inner and an outer zone. The inner, or five cent, zone has a radius of approximately one mile measured from the intersection of B street and Broadway. The outer zone extends from the end of the inner zone to the ends of the various street car lines and to the limits of National City. The exact limits of the inner zone are shown on the map attached to Commission's Exhibit I and may be described as follows:

On the west and the southwest, the Bay of San Diego. Then from a point on the Bay of San Diego northeasterly along the extension of Crosby street to the southerly end of Twenty-fifth street at the intersection of Twenty-fifth and B streets. Then northerly along the easterly line of Twenty-fifth street to the intersection of Twenty-fifth and B streets. Then northwesterly on a straight line to a point opposite the easterly end of Laurel street. Then westerly and southwesterly along the north line of Laurel street to a point on the Bay of San Diego.

I recommend that within these zones the following fares be fixed by the Commission:

1. In the inner zone, a 5-cent cash fare, including transfer privilege between any points *within* this zone.
2. In the outer zone, a 5-cent cash fare, between all points within that zone, including transfer privilege to any points in the outer zone but not through the inner zone.
3. In the inner and outer zones, a 10-cent cash fare between any points in the inner and outer zones with transfer privilege.
4. Round trip tickets in blocks of 4 tickets, good between any points in inner and outer zones with transfer privilege to inner and outer zones. Good for bearer; to be sold at 30 cents per block of 4 tickets, equivalent to  $7\frac{1}{2}$  cents per ride.
5. Ticket book at rate of \$4, equivalent to  $6\frac{1}{2}$  cents per ride. Good for bearer of individual ticket and good for two rides or one round trip each day of the calendar month. Good for date printed on the ticket and limited to current month. Transfer privilege in inner and outer zones.
6. Fares between other points on system and beyond outer zone to be readjusted proportionately.

Mr. Puterbaugh, for the city of Coronado, suggests that there should be established for the service between San Diego and Coronado either in lieu of the \$4 ticket book or in addition thereto, a 20-round-trip individual commutation book good for thirty days, to be sold at \$2.70. I have given consideration to this proposal. Adopted for the Coronado service alone, it would be a discrimination against other patrons of the outer zone. To adopt the proposed \$2.70 book for the entire system would result in a considerable decrease in estimated revenue. The \$4 commutation book provides service (through both inner and outer zones) at 6½ cents per ride. The 4-ticket block provides service (through both inner and outer zones) at 7½ cents per ride. The addition of the \$2.70 book would provide service at 6½ cents per ride. I can see no need for this further graduation in the price of the so-called "wholesale service" and suggest that the \$2.70 book be not experimented with at this time.

The company has suggested a method of fare collection on the "pay as you enter" and the "pay as you leave" plan which appears to be a workable arrangement. It is not necessary, in my opinion, to deal with this matter in this decision and the company should be left free to work out a collection system that will not interfere with the convenience of the public.

The engineering department of the Commission estimates that results of the proposed fares under the zone system may be expected as follows:

1. 5-cent fares .....	4,700,000	\$238,500 00
2. 10-cent fares .....	200,000	20,000 00
3. Round-trip ticket block (7½-cent fares) .....	4,285,000	321,385 00
4. \$4 commutation books (equal to 6½-cent fares) .....	6,800,000	442,000 00
Totals .....	16,055,000	\$1,021,885 00

The last figure compares with the actual passenger revenue in 1918 as reported in the company's annual report, as follows:

1918 passenger revenue (Act 101) .....	\$1,031,484 00
Estimated as per above .....	1,021,885 00
Difference .....	\$9,599 00

It will be noted that under the proposed zone plan the revenue for the year is estimated at approximately \$10,000 less (approximately 1 per cent) than the revenue for 1918. It is also estimated that the number of passengers under the proposed plan will be 16,055,000 as compared with the estimated number of passengers under the present plan of 16,390,000, a decrease of 335,000, or approximately 2.2 per cent.

The financial results estimated by the engineering department from the adoption of the zone system are shown in the following table:



*Estimated Financial Results of Proposed Zone Plan for the Next Twelve Months and Comparison with Present Plan and with 1918.*

	Present plan	Proposed plan	Year 1918, actual
Passenger revenue .....	\$950,683 11	\$1,021,885 00	\$1,031,484 20
Other transportation revenue.....	689 90	689 90	2,158 64
Total transportation revenue.....	\$951,373 01	\$1,022,574 90	\$1,033,642 84
Other railway operations.....	63,397 56	63,307 56	54,720 38
Total operating revenues.....	\$1,014,780 57	\$1,085,882 46	\$1,088,363 22
Total operating expenses.....	1753,451 31	1691,451 31	1750,442 35
Net revenue .....	\$261,229 26	\$394,431 15	\$337,920 37
Taxes .....	77,265 58	77,265 58	74,395 48
Operating income .....	\$183,963 68	\$317,165 57	\$263,524 95
Nonoperating income .....	8,720 00	8,720 00	8,571 64
Gross income .....	\$192,683 68	\$325,885 57	\$272,096 59
Depreciation fund annuity.....	216,000 00	216,000 00	216,000 00
Available for fixed charges.....	\$23,316 32	\$109,885 57	\$56,096 59

<sup>1</sup>Not including depreciation.<sup>2</sup>Using same as 1919 estimates.<sup>3</sup>Loss.<sup>4</sup>Profit.

It will be noted that if this estimate is correct, there will be available for fixed and other charges, a balance of \$110,000. This amount is equal to a return on the reproduction cost less depreciation of the operative property of the San Diego company (\$4,563,943) of 2.4 per cent.

With the other recommended operating economies and with the reduction of operating costs following the abandonment of unprofitable service, I am satisfied that there is complete justification for the maintenance of this street railway service in the most efficient manner possible. I have also pointed out further large economies that will be possible through the introduction of a more economical type of equipment, and if the program is followed as outlined in this opinion, I see no reason why the San Diego Street Railway system, under proper management, should not become an efficient, up-to-date and profitable concern.

It will be desirable in this decision for the Commission to distinguish between those features of the proceeding that can be dealt with by order, those that can be dealt with by authorization to the applicants and those that can be dealt with by recommendation and suggestion only. Into the latter class belongs any solution that the Commission might have to offer in the matter of paving.

Without the willingness of the city to co-operate in giving effect to the recommendations made in the foregoing opinion on the matter of paving, no remedy can be had. In view of the very definite language,

however, that Mr. Cosgrove employed in behalf of the common council of the city of San Diego in the last hearing in this proceeding, I have no doubt that the city will be ready to adopt any recommendations made by the Commission. Mr. Cosgrove's statement on page 28 is to that effect.

The matter of paving will, therefore, not be dealt with in the order, but left as a suggestion as discussed in the foregoing opinion.

Matters of service and operation can largely be dealt with in the form of authorization to the company, and I have no doubt—also in view of the position taken by the representatives of the various communities involved—that any authorizations made will be concurred in by the city authorities.

All matters of rates where, in my opinion, the jurisdiction of the Commission is beyond question, and also the matter of the depreciation reserve, can undoubtedly be dealt with in the form of an order.

I recommend the following form of order:

#### ORDER.

Applications having been filed by the San Diego Electric Railway Company and the Point Loma Railroad Company for an investigation by the Railroad Commission into the reasonableness of the rates, charges, rules, regulations and practices of applicants and for authority to discontinue service, suspend operation and take up tracks on part of the two systems, all as indicated in the foregoing opinion; a public hearing having been held and the matter having been submitted and the Commission being fully advised of the facts as set forth in the foregoing opinion;

*It is hereby ordered;*

##### 1. In the matter of service and operation.

(a) Operating savings through *headway changes* and by partial or complete *elimination of nonpaying or duplicate service* on certain lines shall be brought about as suggested in the foregoing opinion, and applicants shall file with the Commission and with the city of San Diego immediately, and prior to the putting into effect of such service changes, a statement in detail showing what changes will be made. Similar statements shall also be filed with the authorities of other communities affected by such service changes.

(b) Authority is not given at this time for the abandonment of service and the taking up of track on any of the lines enumerated by the San Diego Electric Railway Company in Application 5009, and further proof that such abandonment is justified should be submitted by applicant after the other economies and changes authorized in this order have been put into effect.

(c) The San Diego Electric Railway Company is authorized to discontinue service on the Fifth street line in Coronado but is not authorized to take up any track. Special service may be given over this line at certain times within the discretion of the company and when such service can be given without loss.

(d) Authority is withheld from the Point Loma Railroad Company to discontinue service and suspend operation and to take up tracks on the entire system. Authority is granted, however, to discontinue service and to take up track over such portion of the so-called Point Loma loop line as is described in the foregoing opinion. Applicants are not authorized to enter into the proposed lease agreement and it is ordered that the Point Loma company continue independent operation and that at the end of six months that company report to the Commission the result of the proposed plan.

(e) Applicants are ordered to put their property, and especially the track, immediately into safe and good operating condition in substantial agreement with the recommendations and the construction program submitted to the Commission by applicants' chief engineer and as approved by the Commission's engineering department. Applicants shall file monthly statements with the Commission based on this construction program and showing in quantities and in money what has been done during each past month to carry this program into effect. Applicants shall also file with the Commission quarterly statements showing equipment changes made during the preceding quarter, and especially the progress made in the acquisition of one-man cars.

## **2. In the matter of a depreciation fund.**

The San Diego Electric Railway Company is ordered to set aside and pay into a separate depreciation fund monthly the sum of \$18,000. All earnings of the fund from whatever source and to whatever amount shall be added to the depreciation fund. This depreciation reserve fund shall be held and accounted for under the direction of, and shall not be used without the authority of, this Commission. The company is ordered to work out and submit to the Commission within sixty days of the date of this order such rules for the accounting for and use of this fund as will embody the desires and recommendations of the applicant in this matter. Such rules shall not become effective until approved by the Commission.

## **3. In the matter of rates.**

Applicants are authorized to establish and to file with the Commission within ten days of the date of this order a schedule of rates based on the zone system and on the system of fares recommended in the foregoing opinion.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this fourteenth day of November, 1919.

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DECISION No. 6842.

IN THE MATTER OF THE APPLICATION OF CENTRAL COUNTIES GAS COMPANY FOR AN ORDER AUTHORIZING THE ISSUE AND SALE OF COMMON STOCK.

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Application No. 5096.

Decided November 18, 1919.

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Applicant authorized to issue \$28,500 face value of its common stock to be sold at not less than 80, proceeds to be used for additions and betterments to its gas plants.

F. W. Hunter, for Applicant.

LOVELAND, *Commissioner*.

**OPINION.**

Central Counties Gas Company asks permission to issue \$28,500 par value of common stock at 80.

To improve its service at Porterville, Lindsay and Exeter, applicant is installing a 120,000-cubic foot gas holder at Porterville. The cost of the holder installed is estimated at \$22,806.88. The construction of the new holder should not only result in better service but will also enable applicant to add new consumers to its system. The company's present holder at Porterville has a capacity of but 10,000 cubic feet. Applicant's generating plant, located at Visalia, is connected with the 10,000-cubic foot holder by a 3-inch transmission line. F. W. Hunter reports that it is very difficult to make replacements on the transmission line without shutting off the service at Porterville and that with the installation of the new holder, improvements and replacements on the transmission line can be more readily made without interfering with the service.

Applicant reports that it has borrowed from William R. Staats Company \$7,000 on a 60-day 7-per cent note and has used the money to pay in part for the holder and expenses incidental to its acquisition and construction. Applicant intends to pay the \$7,000 note with moneys obtained through the issue of its stock.

Stockholders of the Central Counties Gas Company have agreed to acquire the \$28,500 of stock covered by this application.

I herewith submit the following form of order:

**ORDER.**

Central Counties Gas Company having applied to the Railroad Commission for permission to issue \$28,500 of stock, a public hearing having

been held and the Railroad Commission being of the opinion that the moneys, properties or labor to be procured or paid for by such issue is reasonably required for the purpose or purposes specified in this order and that the expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income;

*It is hereby ordered*, that Central Counties Gas Company be, and it is hereby, authorized to issue and sell for cash on or before February 1, 1920, at not less than 80 per cent of its par value, \$28,500 of its common stock and use the proceeds to pay the note and expenses incidental to the acquisition and construction of the 120,000-cubic foot gas holder referred to in the petition herein, provided that Central Counties Gas Company will keep such record of the issue and sale of the stock herein authorized and of the disposition of the proceeds as will enable it to file on or before the twenty-fifth day of each month a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this eighteenth day of November, 1919.

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DECISION No. 6843.

IN THE MATTER OF THE APPLICATION OF SOUTHERN COUNTIES GAS COMPANY OF CALIFORNIA FOR AUTHORITY TO MAKE EFFECTIVE CERTAIN SCHEDULES OF RATES IN THE COUNTY OF VENTURA, AND IN THE CITIES OF VENTURA, OXNARD, SANTA PAULA, FILMORE AND OTHER UNINCORPORATED TOWNS AND COMMUNITIES IN THE COUNTY OF VENTURA.

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Application No. 4949.

Decided November 18, 1919.

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**RATES—GAS SERVICE—MINIMUM BILLS.**—The establishment of a monthly minimum of \$1 for domestic gas service is held to be reasonable in territory such as that served by applicant in the present proceeding, particularly in view of the fact that natural gas has been substituted for artificial gas, the higher heating value thereof greatly reducing consumers' monthly consumption.

Revise schedule of rates established to become effective for meter readings made on and after November 15, 1919.

*Hunsaker, Britt & Edwards*, for Applicant.

*H. F. Orr*, city attorney, for city of Ventura.

LOVELAND AND BRUNDIGE, *Commissioners*.

**OPINION.**

Applicant, Southern Counties Gas Company, requests authority to establish certain rates to be charged by it for natural gas service in the county of Ventura.

The rates proposed are for:

- (1) Domestic and Commercial Service;
- (2) Gas Engine Service;
- (3) Large Commercial and Industrial Service;
- (4) Surplus Gas for Industrial Service.

The last three schedules, which cover service not previously rendered, compare favorably with similar schedules in other districts when supply and cost of gas is considered and should be approved. The first schedule is equal to, or less than, the present schedule in effect in Ventura County with the exception of the minimum charge. The minimum charge under the existing schedule is 50 cents per meter per month in the incorporated territory served, while that in the proposed schedule is \$1 per meter for all territory served in Ventura County.

Southern Counties Gas Company took over the operation of the gas properties of Southern California Edison Company in Ventura in February, 1919, and later, under authority of this Commission, in Decision No. 6362, dated May 29, 1919, in Application No. 4440, acquired ownership of these properties.

At the time operation of the property was taken over by applicant an inferior quality of service of artificial gas was being supplied. Applicant negotiated for and obtained a supply of natural gas, and, since April, 1919, has supplied natural gas in place of the artificial gas. Applicant's consumers have been served a gas of over twice the heat content under the same rates per cubic foot, and as a result, there has been a reduction, on the average, of 44 per cent in the consumers' bills.

Since acquiring the property applicant has made extensive improvements, and has rendered much improved service to its patrons. Testimony of prominent citizens of Ventura and Santa Paula is to the effect that the service has been greatly improved and has been made very satisfactory.

Applicant has not as yet obtained sufficient supply of natural gas to develop much industrial gas business and prospects are not too good for a large supply for these purposes. Unless a large supply is obtained applicant must depend upon the revenue from its domestic and commercial consumers to obtain a reasonable return for its services rendered.

Applicant's total revenue for the first six months natural gas was served was \$22,261.34, while the operating expenses were \$34,041.34, making a deficit of \$11,780. The high expense was partly due to abnormal expense resulting from adjustment of consumers' appliances and repairs to the property, which was in bad condition at the time it was taken over. A reasonable estimate of revenue and expense, based

upon normal operating conditions, shows an actual deficit of \$6,400 per annum if the present rates are continued.

It appears from analysis of the sales of gas to the consumers of applicant that with a change from artificial gas to natural gas and the increase of the minimum from 50 cents to \$1, approximately 26 per cent of the consumers will be subject to an increase in bills, while 74 per cent of the consumers will have their bills reduced. The net result will be a total reduction of \$25,000 per annum in the gross revenue received. Due to the introduction of natural gas, however, the past six months' operations show that approximately 50 per cent of the consumers are paying bills of less than \$1 per month, while prior to the introduction of natural gas approximately 26 per cent were paying less than \$1.

The result in applicant's revenue of increasing the minimum from 50 cents per meter per month to \$1 will be an increase of approximately \$5,150 per year. With this increase applicant's revenue will, for the next year of operation, only slightly exceed its direct operating expenses. Applicant apparently hopes to increase its net income by increase in sales especially to industrial consumers.

The Commission had occasion to study carefully the question of just minimum charges in connection with the determination of gas rates for applicant in the districts served in Los Angeles and Orange counties. It was found in that proceeding that a minimum of \$1 per meter per month was a just and reasonable charge for service of natural gas in even more congested communities than served in Ventura County.

A gas utility has a material investment for each consumer, which is occasioned by its readiness to serve that consumer without reference to the quantity of gas used. In addition there is considerable expense incurred in reading meter and handling consumers' accounts, likewise independent of the consumer's use of gas. An analysis of these costs, which are chargeable to consumers, shows that in the present instance, a minimum charge of \$1 per meter per month should be made.

Applicant has without question greatly improved the service of gas in Ventura County. The continuance of this improved service can not be expected unless applicant can earn a reasonable compensation for its service, including a fair return on its investment. The inhabitants of Ventura County supplied with gas by applicant will not question paying compensatory rates provided they receive adequate service and fair treatment from the utility. At the present time the consumers are receiving the improved service at an average reduction in cost of approximately 44 per cent below the cost to them of gas service received during 1918, and, even with the increased minimum, the communities' bill for the equivalent gas service will be \$25,000 per annum less than it was for artificial gas.

We recommend the following form of order:

**ORDER.**

Southern Counties Gas Company having applied for authority to establish certain gas rates to be charged for service of natural gas in the county of Ventura, State of California, hearing having been held, the matter being submitted and now ready for decision,

The Railroad Commission *hereby finds as a fact*, that the rates herein set forth for gas service by Southern Counties Gas Company in the cities of Ventura, Oxnard, Santa Paula, Fillmore and adjacent territory in the county of Ventura, are just and reasonable rates.

Basing its order on the foregoing finding of fact and on the findings of fact contained in the opinion which precedes this order:

*It is hereby ordered*, that Southern Counties Gas Company be and the same is hereby authorized to charge and collect for the service of natural gas in the county of Ventura the following schedules of rates, the same to be effective for all meter readings taken on and after the fifteenth day of November, 1919; provided, applicant shall have filed with the Commission on or before that date the schedules herein set forth..

**SCHEDULE No. 4-A.**

**General Service.**

**VENTURA DISTRICT.**

Applicable to Domestic and Commercial Service for lighting, heating and cooking, including restaurants, apartment houses, hotels, hospitals, sanitarium, business buildings of all kinds, schools and churches.

**Territory.**

Applicable to Ventura District, including Ventura, Oxnard, Santa Paula, Fillmore, and adjacent territory.

**Rate.**

	Per 1000 cubic feet
First 2,000 cubic feet per meter per month.....	\$1 25
Next 3,000 cubic feet per meter per month.....	1 00
Next 5,000 cubic feet per meter per month.....	90
Next 10,000 cubic feet per meter per month.....	80
Next 30,000 cubic feet per meter per month.....	70
Over 50,000 cubic feet per meter per month.....	60
Minimum charge \$1 per meter per month.	

**Special Conditions.**

Consumers served under this schedule have priority in the use of gas over consumers served under Schedules No. 4-B, No. 4-C and No. 4-D.

**SCHEDULE No. 4-B.**

**Gas Engine Service.**

**VENTURA DISTRICT.**

Applicable to service for internal combustion engines only.

**Territory.**

Applicable to Ventura District, including Ventura, Oxnard, Santa Paula, Fillmore and adjacent territory.



*Rate.*

	Per 1000 cubic feet
First 50,000 cubic feet per meter per month-----	\$0 60
Next 150,000 cubic feet per meter per month-----	50
Over 200,000 cubic feet per meter per month-----	45

*Minimum Charge.*

From May to October, inclusive-----	\$5 00 per meter per month
From November to April, inclusive-----	1 00 per meter per month
For continuous yearly service-----	36 00 per meter per year

*Special Conditions.*

Consumers served under this schedule are subject to the prior use of consumers served under Schedule No. 4-A, but have priority in the use of gas over consumers served under Schedules No. 4-C and No. 4-D at times when there is insufficient gas to supply the demands of all consumers.

## SCHEDULE No. 4-C.

## VENTURA DISTRICT.

*Commercial and Industrial Service.*

Applicable to commercial and industrial service such as bakeries, packing houses, metal working plants, preserving and canning establishments, fruit and vegetable dryers and other consumers whose demand for gas is not dependent upon atmospheric temperature, or upon the preparation of meals, and whose time of maximum demand, if any, does not coincide with the maximum demand of consumers served under Schedule No. 4-A.

*Territory.*

Applicable to Ventura District, including Ventura, Oxnard, Santa Paula, Fillmore, and adjacent territory.

*Rate.*

	Per 1000 cubic feet
First 50,000 cubic feet per meter per month-----	\$0 60
Next 150,000 cubic feet per meter per month-----	50
Over 200,000 cubic feet per meter per month-----	45

*Minimum Charge.*

From May to October, inclusive-----	\$15 00 per meter per month
From November to April, inclusive-----	1 00 per meter per month
For continuous yearly service-----	96 00 per meter per year

*Special Conditions.*

Consumers served under this schedule have priority in the use of gas over consumers served under Schedule No. 4-D, but are subject to the prior use of Class 4-A and 4-B consumers at times when there is insufficient gas to supply the demands of all consumers.

## SCHEDULE No. 4-D.

## VENTURA DISTRICT.

*Surplus Industrial Service.*

Applicable to industrial service on existing mains having a delivery capacity in excess of the present requirements of consumers served under Schedules No. 4-A, No. 4-B and No. 4-C; for use in steam boilers, incinerators, kilns, or similar service which do not use gas to heat buildings or to prepare meals and which are equipped to use other fuels and can be changed over to use other fuels on 30 minutes notice. Consumers receiving service under this schedule are required to maintain adequate supplies of such other fuels.

*Territory.*

Applicable to Ventura District, including Ventura, Oxnard, Santa Paula, Fillmore, and adjacent territory.

*Rate.*

30 cents per 1000 cubic feet.

*Minimum Charge.*

From May to October, inclusive-----	\$50 00 per meter per month
From November to April, inclusive-----	5 00 per meter per month
For continuous yearly service-----	330 00 per meter per year

*Special Conditions.*

At times of gas shortage service to consumers under this schedule will be shut off in favor of consumers served under Schedules No. 4-A, No. 4-B and No. 4-C.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this eighteenth day of November, 1919.

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DECISION No. 6844.

IN THE MATTER OF THE APPLICATION OF MOUNT KONOCTI LIGHT AND POWER COMPANY AND CALIFORNIA TELEPHONE AND LIGHT COMPANY FOR AN ORDER OF THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA, AUTHORIZING THE FORMER TO SELL AND CONVEY UNTO THE LATTER AND THE LATTER TO PURCHASE AND ACQUIRE FROM THE FORMER ALL OF THE PROPERTIES OF SAID MOUNT KONOCTI LIGHT AND POWER COMPANY, AND AUTHORIZING SAID CALIFORNIA TELEPHONE AND LIGHT COMPANY TO ISSUE, SELL AND DELIVER TO THE FACE AMOUNT OF SEVENTY-FIVE THOUSAND DOLLARS ITS FIRST MORTGAGE, SIX PER CENT GOLD BONDS, MATURING APRIL 1, 1943.

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Application No. 5047.

Decided November 18, 1919.

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Mount Konocti Company authorized to transfer its electric properties to California Company for the sum of \$71,400, and the latter to issue \$75,000 face value of its 6 per cent bonds to be sold at not less than 94, proceeds to be used in connection with the above transfer.

A. C. Hastings, for Mount Konocti Light and Power Company.

Leo H. Susman, for California Telephone and Light Company.

LOVELAND, Commissioner.

**OPINION.**

The Railroad Commission is asked to make an order authorizing Mount Konocti Light and Power Company to sell its properties to the

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California Telephone and Light Company, authorizing California Telephone and Light Company to purchase said properties and to issue at 94 per cent of their face value, plus accrued interest, \$75,000 of first mortgage 6 per cent bonds, due April 1, 1943.

Mount Konocti Light and Power Company was incorporated on April 27, 1911, with an authorized capital stock of \$100,000. It reports \$75,000 of its stock issued. The company has no bonded indebtedness and only a nominal amount of current liabilities. It is engaged in the business of operating an electric transmission and distribution system in Lake and Mendocino counties, primarily in Lakeport, Kelseyville, Upper Lake, Hopland and in adjoining and intervening territory. The company reports that it owns a 300-kilovolt amperes substation near Hopland, a regular station at Lakeport, 69½ miles of primary electric transmission lines suitable to conduct 6,600 volts, 16½ miles of secondary lines, about 160 transformers, about 603 meters and the street lighting systems in Lakeport, Hopland and Upper Lake. The company owns no generating plant, but purchases its electrical energy from Snow Mountain Water and Power Company. The cost of the company's properties is reported at \$81,868.66. It has entered into an agreement (Exhibit C, attached to the petition) under the terms of which it is willing to sell its properties to California Telephone and Light Company for \$71,400.

The record shows that the stockholders of Mount Konocti Light and Power Company desire to retire from this business, and that the proposed transaction will be in the interest of the public and that the properties can be more economically operated by California Telephone and Light Company, which now operates a telephone system in the territory and which is primarily engaged in the electric and telephone business.

It is the intention of the California Telephone and Light Company, if permitted to purchase the properties, to expend forthwith about \$10,000 for new line extensions and also give consideration to the improvement of service by reinforcing the transmission lines of Mount Konocti Light and Power Company.

California Telephone and Light Company does not sell any electrical energy in the territory served by Mount Konocti Light and Power Company. The matter of duplicate properties does not therefore enter into this proceeding. The testimony shows that the rates of the two companies are practically the same and that the California Telephone and Light Company intends to continue in effect the rates of Mount Konocti Light and Power Company until such rates are changed by the Commission.

California Telephone and Light Company reports that up to December 31, 1918, it expended for the construction of additions and betterments to its plant and system, against which no stock or bonds have been issued, the sum of \$53,810.16. It intends to acquire the Mount Konocti Light and Power Company properties at a cost of \$71,400, which amount, if added to the \$53,810.16, makes a total of \$125,210.16 expended or to be expended for the acquisition and construction of properties. At this time applicant asks permission to issue \$75,000 of bonds. Inasmuch as there is a considerable margin between the company's expenditures incurred or to be incurred for the acquisition and construction of properties and the amount of bonds which the company asks permission to issue, it does not seem necessary to make a detailed examination of the cost of the additions and betterments installed up to December 31, 1918.

It appears to me that the transfer of these properties is in the public interest, and I therefore submit herewith the following form of order:

#### ORDER.

Application having been made to the Railroad Commission for an order authorizing Mount Konocti Light and Power Company to sell its properties to the California Telephone and Light Company, and said California Telephone and Light Company having joined in the application and having asked permission to purchase said properties and to issue \$75,000 of its first mortgage 6 per cent bonds, due April 1, 1943, a public hearing having been held, and the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for by the issue of the bonds herein authorized, is reasonably required for the purpose or purposes specified in this order, and that the expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income;

*It is hereby ordered*, that Mount Konocti Light and Power Company be, and it is hereby, authorized to sell all of its properties described in the petition herein and in exhibits attached thereto, to California Telephone and Light Company;

*It is hereby further ordered*, that California Telephone and Light Company be, and it is hereby, authorized to purchase said properties and to issue \$75,000 face value of its first mortgage 6 per cent bonds, due April 1, 1943, for the purpose of reimbursing its treasury and acquire said properties.

The authority herein granted is upon the following conditions and not otherwise:

(1) The bonds herein authorized to be issued shall be sold by applicant for not less than 94 per cent of their face value and accrued

interest and the proceeds used to pay for the properties herein authorized to be acquired.

(2) Within sixty days after the acquisition of the properties of Mount Konocti Light and Power Company, California Telephone and Light Company shall file with the Railroad Commission, for approval, a stipulation duly authorized by its board of directors declaring that California Telephone and Light Company, its successors and assigns, will never claim, in any proceeding of any character, before the Railroad Commission or any other public authority, any value for the franchises or permits which California Telephone and Light Company may acquire from Mount Konocti Light and Power Company, in excess of the amount which was paid by the original grantee of such franchises or permits to the public authority granting the same, which amount shall be specified in said stipulation.

(3) Within sixty days after the acquisition of the properties of Mount Konocti Light and Power Company, California Telephone and Light Company shall submit to this Commission, for approval, all book entries relative to the transfer and purchase of the properties of Mount Konocti Light and Power Company; also a verified copy of the instrument of conveyance.

(4) The consideration at which public utility properties are herein authorized to be transferred shall not be considered as a measure of value of said properties for rate making or any purpose other than the transfer herein authorized.

(5) The authority herein granted to issue bonds will not become effective until California Telephone and Light Company has paid the fee prescribed by the Public Utilities Act.

(6) California Telephone and Light Company shall keep such record of the issue and sale of the bonds herein authorized, and of the disposition of the proceeds, as will enable it to file on or before the twenty-fifth day of each month a verified report as required by the Railroad Commission's General Order, which order, in so far as applicable, is made a part of this order.

(7) The authority herein granted will apply only to such transfer as may be made and to such bonds as may be issued on or before February 15, 1920.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this eighteenth day of November, 1919.

## DECISION No. 6845.

D. MILLER

vs.

PACIFIC GAS AND ELECTRIC COMPANY.

## Case No. 1349.

Decided November 18, 1919.

**SERVICE EXTENSIONS—ELECTRIC, COST OF.**—The Commission considers it unreasonable to require an electric utility to construct an extension of 1925 feet at an estimated cost of \$698 for the purpose of serving one consumer, when the annual revenue therefrom would not exceed \$15 per year and there is very little likelihood for more than two or three additional consumers being served from such extension.

Defendant directed to construct such extension, provided complainant deposit the sum of \$300, such amount to be returned at the rate of \$100 for each additional consumer served from such extension; provided, such additional consumers are served within a period of seven years.

*D. Miller, in propria persona.*

*C. P. Cutton, for Defendant.*

*MARTIN, Commissioner.*

**OPINION.**

D. Miller, residing in Highland Manor, a real estate subdivision near the outskirts of the city of Oakland, California, alleges that early in the year 1919 he applied to Pacific Gas and Electric Company, the defendant, for electric service to his residence, which service was and is still denied him on the grounds that the revenue to be obtained from the sale of electricity to him is insufficient to warrant the construction of the lines necessary to supply the complainant's premises. He asks for an order of the Commission directing the Pacific Gas and Electric Company to extend its lines and supply electricity to him.

A public hearing was held at San Francisco, October 15, 1919.

Complainant is a pioneer builder in this new section known as Highland Manor, and his residence, a four-room bungalow, is distant about 1925 feet from the nearest existing pole of defendant's lines.

The Pacific Telephone and Telegraph Company has constructed a line by which complainant obtains telephone service, and, between complainant's premises and the end of the present lines of defendant, there are in place ten 40-foot standard poles of The Pacific Telephone and Telegraph Company which could be used to carry the wires of Pacific Gas and Electric Company to the premises of complainant.

Defendant submits that the cost of extending its facilities by the construction of a separate pole line, wires and other equipment would be \$698, and, further, that if defendant obtains a one-half interest in the

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poles of Pacific Telephone and Telegraph Company and extends its wires on said poles of Telephone Company that the cost of thus supplying complainant would be \$452. Defendant further shows that the revenue to be derived from the complainant's service alone would not exceed \$15 per annum. However, the line to be constructed could serve the premises of H. C. Calley, an assured prospective builder, from whom an annual revenue of \$42 is probable. A Mrs. Gertrude Clark might be served from the same line, which service would yield about \$18 per annum, but to supply her premises would require the placing of an additional pole and transformer. No one but complainant herein is now in a position to receive electric service.

Complainant submits estimates of electrical contractors of the cost of making this extension in an endeavor to support his claim that he can be supplied by defendant at a cost of approximately \$200. An analysis of complainant's estimates shows the omission of crossarms, pole steps, hardware, guys, anchors, transformers, transformer meter and other incidental expenses such as freight, cartage and overhead expense. Furthermore, complainant proposes the use of No. 10 gauge wire, which is not of sufficient size for this type of construction. In this and in other respects complainant's estimate is incomplete.

Complainant's premises can be satisfactorily supplied at a minimum of cost by the second plan proposed by defendant, namely, the placing of its wires upon the poles of Pacific Telephone and Telegraph Company, after obtaining a one-half interest in such poles. I am of the opinion that the amount of \$425 is a reasonable estimate of cost of such extension on the present poles of the Telephone Company.

The territory in question is wholly within the corporate limits of the city of Oakland. It is, however, at present practically undeveloped and its future is problematical. Complainant urged that further building would take place in this section but offers no direct evidence of the immediate possibility of development.

The revenue to be obtained from complainant's service alone does not warrant the expenditure of \$425 by defendant for the construction of its line, and, even if the other two houses above mentioned are supplied in addition to that of complainant, the total revenue from all three premises does not appear sufficient. I am of the opinion that defendant should not be required to extend its service to complainant at its own expense, and, further, that it would be proper for complainant to advance to defendant the sum of \$300 precedent to service being rendered, this amount to be returned to complainant at the rate of \$100 for each and every additional consumer, up to three in number, that should later be supplied from the extension.

I recommend the following form of order:

**ORDER.**

D. Miller having filed a complaint against Pacific Gas and Electric Company as set forth in the foregoing opinion, public hearing having been held, the matter being submitted and now read for decision;

The Railroad Commission of the State of California *hereby finds as a fact*, that the estimated revenue to be derived from the proposed service to complainant is insufficient to warrant the construction of a line by defendant at its own expense to serve said complainant, and that precedent to service, complainant should advance to defendant a portion of the cost of said extension under the terms and conditions hereinafter set forth.

Basing its order on the foregoing findings of fact and on the other findings of fact contained in the opinion which precedes this order;

*It is hereby ordered*, that Pacific Gas and Electric Company shall extend its lines to supply the premises of D. Miller with electricity within ten days of the date on which said D. Miller shall deposit with said Pacific Gas and Electric Company the sum of \$300; provided, that said D. Miller and said Pacific Gas and Electric Company shall enter into an agreement whereby D. Miller shall advance to Pacific Gas and Electric Company the sum of \$300, in consideration of which Pacific Gas and Electric Company will extend its lines and supply the premises of said D. Miller with electricity, and wherein Pacific Gas and Electric Company shall agree to refund to D. Miller the sum of \$100 for each and every additional consumer which it shall supply from the line which it builds to supply D. Miller, and further, that Pacific Gas and Electric Company shall not be required to refund to said D. Miller any sum in excess of said \$300. Such agreement shall further provide that in the event that the sum of \$300 is not refunded to said D. Miller within seven years from the date of the agreement, no further refunds shall be made to said D. Miller.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this eighteenth day of November, 1919.



## DECISION No. 6846.

IN THE MATTER OF THE APPLICATION OF ONTARIO POWER COMPANY FOR AN ORDER AUTHORIZING THE ISSUE OF SERIAL GOLD NOTES.

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Application No. 5020.

Decided November 19, 1919.

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EDGERTON, *Commissioner*.

**OPINION.**

Ontario Power Company asks permission to issue, and sell at par, \$11,000 of its 7 per cent serial gold notes.

Applicant reports that from December 1, 1918, to August 31, 1919, it expended \$34,692.78 to build and acquire line extensions, new services, transformers and meters. A detailed statement of applicant's expenditures is attached to the petition herein. Applicant asks permission to use the proceeds from the sale of the notes to partially reimburse its treasury because of the aforesaid expenditures.

Under an agreement executed pursuant to the authority granted in Decision No. 5535, dated July 1, 1918, applicant may issue \$90,000 of serial notes. Applicant reports \$79,000 of the notes issued, leaving \$11,000 unissued.

I herewith submit the following form of order:

**ORDER.**

Ontario Power Company having applied to the Railroad Commission for permission to issue \$11,000 of its 7 per cent serial notes, a public hearing having been held, and the Commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose or purposes specified in the order and that the expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income;

*It is hereby ordered*, that Ontario Power Company be, and it is hereby, granted authority to issue on or before March 1, 1920, at not less than par and accrued interest, \$11,000 face value of its 7 per cent serial gold notes for the purpose of reimbursing in part its treasury because of capital expenditures incurred from December 1, 1918, to August 31, 1919, as reported in the petition herein; provided,

1. Ontario Power Company will keep such record of the issue and sale of the serial notes herein authorized and of the disposition of the proceeds as will enable it to file on or before the twenty-fifth day of

each month a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

2. The authority herein granted will not become effective until applicant has paid the fee prescribed in the Public Utilities Act.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this nineteenth day of November, 1919.

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DECISION No. 6847.

IN THE MATTER OF THE APPLICATION OF BLYTHE PRODUCERS WAREHOUSE, FOR AN ORDER AUTHORIZING THE ISSUE OF STOCK.

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Application No. 5051.

Decided November 19, 1919.

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EDGERTON, *Commissioner*.

**OPINION.**

Blythe Producers Warehouse, a corporation, asks permission to issue, and sell at par, \$3,500 par value of its common capital stock.

Blythe Producers Warehouse was incorporated on or about September 2, 1919, with an authorized capital stock of \$10,000, divided into 100 shares of the par value of \$100 each.

As outlined in this petition, applicant intends to engage in the business of warehousing cotton at Blythe, Riverside County. The corporation has been formed by cotton raisers owning ranches in the Palo Verde Valley in the vicinity of Blythe, and it is the intention of the company to sell its stock to cotton growers. Applicant alleges that in order to properly establish its business and provide for necessary working capital, it will require \$3,500.

I herewith submit the following form of order:

**ORDER.**

Blythe Producers Warehouse, a corporation, having asked permission to issue \$3,500 of stock, a hearing having been held, and the Commission being of the opinion that this application should be granted subject to the conditions of the order herein;

*It is hereby ordered*, that Blythe Producers Warehouse be, and it is hereby, authorized to issue and sell at not less than \$100 per share, 35

shares (\$3,500) of its common capital stock and use the proceeds for the purpose of establishing its business and for working capital as more particularly described in the petition herein; provided,

1. That Blythe Producers Warehouse will keep such record of the issue and sale of the stock herein authorized and of the disposition of the proceeds as will enable it to file on or before the twenty-fifth day of each month a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

2. That the authority herein granted will apply only to such stock as may be issued on or before March 1, 1920.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this nineteenth day of November, 1919.

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DECISION No. 6848.

IN THE MATTER OF THE APPLICATION OF WESTERN MOTOR TRANSPORT COMPANY, A CORPORATION, (a) FOR AUTHORITY TO SELL AND ISSUE 755 SHARES OF ITS CAPITAL STOCK, (b) TO PURCHASE PROPERTY, ASSETS, AND BUSINESS OF OAKLAND VALLEY TRANSIT COMPANY, AND (c) FOR CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY TO OPERATE AN AUTO STAGE LINE FOR THE TRANSPORTATION OF PERSONS FOR COMPENSATION BETWEEN RODEO AND OAKLAND, CALIFORNIA, AND INTERMEDIATE POINTS.

IN THE MATTER OF THE APPLICATION OF OAKLAND-VALLEJO TRANSIT COMPANY TO SELL, TRANSFER AND CONVEY ITS PROPERTY, ASSETS, AND BUSINESS TO WESTERN MOTOR TRANSPORT COMPANY.

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Application No. 4944.

Decided November 19, 1919.

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*Sanborn and Rochl*, by *H. H. Sanborn*, for Applicant.

BY THE COMMISSION.

**OPINION.**

Western Motor Transport Company, a corporation, and Oakland-Vallejo Transit Company, a copartnership, have petitioned the Railroad Commission for an order approving the sale and transfer of the automobile stage line now operated by the Oakland-Vallejo Transit Company; the Western Motor Transport Company, a corporation, proposing to acquire by purchase and hereafter operate the stage line routes of the Oakland-Vallejo Transit Company.

Western Motor Transport Company, a corporation, has made application to the Railroad Commission for an order authorizing the issue of stock and the transfer of properties of the Oakland-Vallejo Transit Company.

A public hearing was conducted by Examiner Handford at San Francisco, on October 17, 1919, the matter was duly submitted and is now ready for decision.

The rights and privileges proposed to be transferred are those granted by the Railroad Commission to Oakland-Vallejo Transit Company, a copartnership, in Decision No. 6317, on Application No. 4462, decided May 12, 1919.

The Railroad Commission is of the opinion that the transfer of the operative rights as sought in the application in this proceeding should be granted in accordance with the order following this opinion.

We will now consider the application regarding the issuance of stock.

Western Motor Transport Company was organized in August, 1919, with an authorized stock issue of \$500,000 divided into 5000 shares of the par value of \$100 each. It intends to acquire the properties, business and assets of Oakland-Vallejo Transit Company, a copartnership, composed of Aven J. Hanford, Oscar H. Klatt and F. D. Everman. The members of the partnership have caused to be organized the Western Motor Transport Company.

The copartnership under the authority granted by the Railroad Commission is operating an automobile stage line between Oakland and Rodeo. As of October 15, 1919, the copartnership reports the value of its automobile equipment at \$25,355 and the value of its shop equipment at \$5,735.25, making a total of \$31,090.25. The Commission is asked to authorize Western Motor Transport Company to issue \$75,000 of stock for the purpose of acquiring the properties, business and assets of Oakland-Vallejo Transit Company. Representatives of Western Motor Transport Company, who are also members of the partnership constituting the Oakland-Vallejo Transit Company, justified the issue of \$75,000 of stock on the ground that the copartnership paid \$1,430 for organization expenses; that \$8,300 should be allowed for development expenses and \$4,800 for unpaid salaries. Counsel for applicant suggests that from \$10,000 to \$15,000 might be allowed for going-concern value. While it is urged that the Commission should make some allowance for going-concern value, its attention is, at the same time, directed to the proposition that the stock of Western Motor Transport Company can not be sold for more than 80.

After reviewing the evidence herein and taking into consideration the history of Oakland-Vallejo Transit Company, we are of the opinion that Western Motor Transport Company should not issue more than

\$40,000 of stock to acquire the properties of Oakland-Vallejo Transit Company, referred to in the petition herein.

**ORDER.**

Application having been made for an order authorizing the issue of stock, the transfer of properties and the operation of an auto stage line for the transportation of persons between Oakland and Rodeo, a public hearing having been held, and the Railroad Commission being of the opinion that the application should be granted to the extent indicated in this order and subject to the conditions of this order;

*It is hereby ordered*, that the application for a transfer of the property and operative rights of the Oakland-Vallejo Transit Company, a copartnership, to Western Motor Transport Company, a corporation, be, and the same is hereby, approved subject to the following conditions:

1. Applicant, Oakland-Vallejo Transit Company, a copartnership, will be required to immediately cancel all tariffs and the schedules now on file with the Railroad Commission, such cancellation to be in accordance with the provisions of General Order No. 51 and other regulations of the Commission.

2. Applicant, Western Motor Transport Company, a corporation, will be required to file in its own name tariffs and time schedules, or to adopt as its own the tariffs and time schedules heretofore filed by the Oakland-Vallejo Transit Company, a copartnership, all rates and fares to be the same as those heretofore filed with this Commission by the Oakland-Vallejo Transit Company.

3. The rights and privileges, the transfer of which are hereby approved, may not hereafter be assigned or transferred unless the written consent of the Railroad Commission to such transfer or assignment has first been secured.

4. No vehicle may be operated by applicant, Western Motor Transport Company, a corporation, unless such vehicle is owned by such applicant or is leased by it under a contract or agreement on a basis satisfactory to the Railroad Commission.

*It is hereby further ordered*, that Western Motor Transport Company be, and it is hereby, authorized to issue, within ninety days after the date hereof, not exceeding \$40,000, par value, of its common capital stock for the purpose of acquiring the properties, business and assets of the Oakland-Vallejo Transit Company referred to and described in the petition herein; provided,

Western Motor Transport Company will keep such record of the issue and sale of the stock herein authorized and of the disposition of the proceeds as will enable it to file on or before the twenty-fifth day of

each month a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California this nineteenth day of November, 1919.

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DECISION No. 6849.

IN THE MATTER OF THE APPLICATION FOR THE REORGANIZATION  
OF OAKLAND AND ANTIOCH RAILWAY, OAKLAND, ANTIOCH AND  
EASTERN RAILWAY, AND SAN RAMON VALLEY RAILROAD.

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Application No. 4555.

Decided November 19, 1919.

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*Jesse H. Steinhart*, for Applicant.

EDGERTON, *Commissioner*.

**FIRST SUPPLEMENTAL OPINION.**

On June 26, 1919, the Railroad Commission made its preliminary order authorizing the issue of not exceeding \$1,950,000 of first mortgage 6 per cent 20-year bonds; not exceeding \$1,330,000 of 6 per cent preferred stock and not exceeding \$4,000,000 of common stock to carry into effect the reorganization plan of Oakland, Antioch and Eastern Railway, Oakland and Antioch Railway and San Ramon Valley Railroad. In a supplemental petition filed in the above-entitled matter on November 12, it appears that San Francisco and Sacramento Railroad, a corporation, has been organized to acquire and operate the properties of Oakland, Antioch and Eastern Railway, Oakland and Antioch Railway and San Ramon Valley Railroad. The properties of these companies have been ordered sold at foreclosure sale by the Superior Court in and for the county of Contra Costa. The reorganization committee intends to have its representative purchase the properties at the foreclosure sale and transfer them to the San Francisco and Sacramento Railroad.

The Commission is asked to modify its order of June 26, 1919, so as to permit the San Francisco and Sacramento Railroad to issue not exceeding \$4,000,000 of common stock, not exceeding \$1,300,000 of 6 per cent preferred stock and not exceeding \$2,100,000 of 5-year 7 per cent first mortgage bonds. All of the stock which will be issued, and

approximately \$1,300,000 of the bonds will be delivered to the bondholders of Oakland, Antioch and Eastern Railway, Oakland and Antioch Railway and San Ramon Valley Railroad. It is reported that the change from a 6 per cent 20-year bond to a 5-year 7 per cent bond is due to the present financial conditions and the small demand for bonds of street and interurban railways.

Approximately \$800,000 of the bonds will be sold for cash at not less than 90 and the proceeds used for the following purposes:

Payment of first liens and interest thereon, not to exceed-----	\$300,000 00
Payment of nonassenting bondholders, estimated and probably not to exceed-----	75,000 00
Additions and betterments, including among other things one-half of the cost of branch to Pittsburg, completing ballast on entire line, concreting tunnel, purchasing five cars and constructing two warehouses-----	203,500 00
Working capital-----	141,500 00
Total-----	<u>\$720,000 00</u>

San Francisco and Sacramento Railroad has filed a stipulation agreeing to amortize the reorganization expenses estimated at \$108,000 at such times and in such amounts as the Railroad Commission may direct. The record shows that considerably more than half of the reorganization expenses will be paid from moneys not obtained through the sale of bonds herein authorized.

San Francisco and Sacramento Railroad has also filed a tentative draft of its proposed deed of trust. A number of the provisions of the instrument are incomplete and it is therefore impossible at this time to make an order authorizing the San Francisco and Sacramento Railroad to execute a deed of trust.

I herewith submit the following form of order:

#### FIRST SUPPLEMENTAL ORDER.

The Railroad Commission having been asked to modify the order in Decision No. 6457, dated June 26, 1919, as indicated in the foregoing opinion, a public hearing having been held and the Railroad Commission being of the opinion that the moneys, property or labor to be procured or paid for by the issue of the stocks and bonds herein authorized is reasonably required for the purpose or purposes specified in this order, and that the expenditures for such purpose or purposes, other than those to pay reorganization expenses, are not in whole or in part reasonably chargeable to operating expenses or to income;

*It is hereby ordered*, that the order in Decision No. 6457, dated June 26, 1919, be, and it is hereby, modified so as to permit San Francisco and Sacramento Railroad to issue not exceeding \$4,000,000 of common stock; not exceeding \$1,330,000 of 6 per cent preferred stock and not exceeding \$2,100,000 of 5-year 7 per cent bonds.

The authority herein granted is upon the following conditions and not otherwise:

1. None of the bonds herein authorized shall be issued until the Commission has made a supplemental order authorizing San Francisco and Sacramento Railroad to execute a deed of trust securing the payment of the bonds herein authorized to be issued.

2. The common and preferred stock herein authorized to be issued, or so much thereof as may be necessary, and not exceeding \$1,300,000 of bonds, shall be distributed to bondholders of Oakland, Antioch and Eastern Railway, Oakland and Antioch Railway and San Ramon Valley Railroad, as provided for in the reorganization plan attached to the original petition and marked Exhibit "A."

3. Approximately \$800,000 of the bonds herein authorized to be issued shall be sold by San Francisco and Sacramento Railroad for cash at not less than 90 per cent of their face value and accrued interest, and the proceeds used for the following purposes, or for such other purposes as the Railroad Commission may hereafter authorize:

Payment of first liens and interest thereon, not to exceed.....	\$300,000 00
Payment of nonassenting bondholders, estimated and probably not to exceed .....	75,000 00
Additions and betterments, including among other things one-half the cost of branch to Pittsburg, completing ballast on entire line, concreting tunnel, purchasing five cars and constructing two warehouses .....	203,500 00
Working capital and reorganization expenses.....	141,500 00
Total.....	\$720,000 00

4. San Francisco and Sacramento Railroad shall file with the Railroad Commission within ninety days after the date hereof, a statement showing what amount, if any, of the proceeds from the sale of the bonds has been used to pay reorganization expenses, which according to the stipulation filed by the company and which stipulation is satisfactory to the Commission, will be amortized in such manner and at such times as the Railroad Commission may determine.

5. Within ninety days after the date hereof, San Francisco and Sacramento Railroad shall file with the Railroad Commission for approval its book entries relative to the issue of the stock and bonds herein authorized and the purchase of the properties to which reference has been made.

6. San Francisco and Sacramento Railroad shall keep such record of the issue and sale of the stock and bonds herein authorized and of the disposition of the proceeds as will enable it to file on or before the twenty-fifth day of each month a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.



7. The authority herein granted will not become effective until applicant has paid the fee prescribed in the Public Utilities Act.

8. The authority herein granted will apply only to such stock and bonds as may be issued on or before April 30, 1920.

*It is hereby further ordered*, that the order in Decision No. 6457, dated June 26, 1919, shall remain in full force and effect except as modified by this first supplemental order.

The foregoing first supplemental opinion and first supplemental order are hereby approved and ordered filed as the first supplemental opinion and first supplemental order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this nineteenth day of November, 1919.

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DECISION No. 6850.

IN THE MATTER OF THE APPLICATION OF EAST BAY WATER COMPANY, A CORPORATION, FOR AN ORDER ADJUSTING AND FIXING RATES.

Application No. 4841.

IN THE MATTER OF THE COMMISSION'S INVESTIGATION INTO RATES, RULES AND REGULATIONS OF EAST BAY WATER COMPANY.

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Case No. 1008.

Decided November 19, 1919.

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**WATER SERVICE TO MUNICIPALITIES—COMPENSATION FOR—JURISDICTION TO ESTABLISH.**—The Commission does not exceed its jurisdiction in establishing a rate to be paid by municipalities for water furnished for municipal uses. The rendition of such service is a value given by the utility for which it is entitled to compensation, and it would be clearly unfair to charge the cost of such service to a special class by including it in bills paid by individual consumers when all residents of a city benefit equally thereby.

BY THE COMMISSION.

**OPINION ON PETITIONS FOR REHEARING.**

This Commission in its Decision No. 6755, in the above-entitled proceedings, rendered October 11, 1919, established a schedule of rates to be charged by the East Bay Water Company for water. Included in this schedule were certain charges to be paid by the various East Bay municipalities for service rendered to them by the East Bay Water Company.

Subsequent to this decision, the cities of Oakland, Berkeley, Alameda, San Leandro and Richmond, filed petitions asking that this Commission grant a rehearing, it being alleged that the Commission had erred

and exceeded its authority in establishing a basic charge, or any charge, for the service rendered by the East Bay Water Company to them, and also in finding that the East Bay Water Company is entitled to an increased revenue.

The further contention, set out in these petitions, that no portion of the East Bay Water Company's system is devoted to the service for these municipalities is obviously absurd. The very municipalities now applying for rehearing submitted evidence to show that this service rendered by this company for municipal purposes is inadequate. Furthermore, the record shows that the company has been engaged in supplying water to the municipalities, the latter using the water for such purposes as it chooses.

Not one of those appearing at the hearing could suggest a method of fixing the charge for municipal service, and it was admitted that it is impossible to determine with exactness the value or cost of this service. The evidence clearly shows that the charge established is not more than the service is reasonably worth.

In Decision No. 6755, it was found that the East Bay Water Company is entitled to a certain annual revenue. Inasmuch as there is a material municipal service rendered, it is obvious that if no part of this sum is assessed against the East Bay municipal governments, the consumers at large must pay more than is fair for the service rendered to them. Clearly this Commission can not require one consumer to pay for service rendered to another. The burden of the cost of this service can not be transferred to water users at large, and if the municipalities insist upon and receive service without paying just compensation, the utility would be required to maintain a portion of its system at its own expense for use by the city. Municipal service is a service to the entire community, and being paid for out of taxes the burden falls upon property owners, whether water users or not. Certain municipal officials urge upon this Commission that the entire charge, except a nominal amount, be collected from the water users in the form of rates, thus concealing a charge which should properly be a part of taxes, and requiring the consumer at large to pay a sum greater than justly he should pay.

It is apparent that failure to charge for each class of service approximately in accordance with its proportional cost, results in discrimination. In the decision heretofore rendered in this matter, this principle was recognized and the charges allocated, so far as possible, so that discrimination would not result. We will not now depart from this principle. This Commission would be derelict in its duty to the public if it burdened householders and other water consumers with increased

rates in order that cities might escape payment of a just charge, thus permitting a reduction of taxes at the expense of the water rate payers.

The petitions for rehearing filed herein by the cities of Oakland, Berkeley, Alameda, San Leandro and Richmond have been given careful consideration, and it appears to the Commission that no data or facts are presented therein which have not heretofore been considered in its Decision No. 6755 heretofore issued in the above-entitled proceeding.

**ORDER.**

*It is hereby ordered*, that the petitions for rehearing of the cities of Oakland, Berkeley, Alameda, San Leandro and Richmond be, and the same are hereby, denied.

Dated at San Francisco, California, this nineteenth day of November, 1919.

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DECISION No. 6851.

IN THE MATTER OF THE APPLICATION OF SAN DIEGO CONSOLIDATED GAS AND ELECTRIC COMPANY FOR AN ORDER INCREASING ITS GAS AND ELECTRIC RATES.

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Application No. 4052.

Decided November 19, 1919.

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BY THE COMMISSION.

**SUPPLEMENTAL ORDER.**

Whereas, in its Decision No. 6281 in the above-entitled proceeding, the Railroad Commission established certain electric rates to be charged by the San Diego Consolidated Gas and Electric Company for agricultural power service designated as Schedules Nos. 7 and 8 in said decision; and

Whereas, it now appears proper that said Schedules Nos. 7 and 8 be modified in respect to the maximum demand charges therein contained and that the rates to be hereafter charged for agricultural power service by San Diego Consolidated Gas and Electric Company should be in conformity with the revised rates hereinafter established;

*It is hereby ordered*, that the San Diego Consolidated Gas and Electric Company withdraw and cancel its Electric Schedules Nos. 7 and 8 now filed with the Railroad Commission as Sheets C. R. C. Nos. 227E and 228E, respectively, and that San Diego Consolidated Gas and Electric Company charge for electric energy sold for agricultural power service in all territory served by it in accordance with the following

rates and charges, effective for all regular meter readings taken on and after November 30, 1919:

#### SCHEDULE No. 7.

##### *Agricultural Power Service.*

This schedule applies to energy used for agricultural power service and municipal or water company pumping plants. Standard single phase or 3 phase service is rendered at 220, 440 or 2200 volts, 60 cycle frequency.

##### *Territory.*

Applicable to the entire territory served by the company.

##### *Rate.*

Annual consumption per horsepower	Rate per k.w.h. for active loads of—			
	2 h.p. to 9 h.p.	10 h.p. to 24 h.p.	25 h.p. to 99 h.p.	100 h.p. and over
First 400 k.w.h.-----	3.5 cents	3 cents	2.5 cents	2.25 cents
All over 400 k.w.h. -----	2 cents	2 cents	2 cents	1.75 cents

##### *Minimum Charge.*

Twelve dollars per horsepower of active loads per year, but not less than \$24 per year, payable at the rate of \$1 per horsepower of active load per month.

##### *Special Conditions.*

1. The customer is allowed to connect 120 watts in lighting on h's side of the meter for each 50 horsepower or less of installed load capacity. These lights are restricted to within or attached to the building in which the motor is installed.

2. Active load as herein referred to shall equal the rated horsepower of the installation except in case of two or more motors, where upon request of applicant or consumer the active load will be determined by test.

3. Any installation may obtain the rate for the larger size installation by guaranteeing the rates and minimum charge of the larger installations.

#### SCHEDULE No. 8.

##### *Optional Agricultural Power Service.*

This schedule applies to energy used for agricultural power service and municipal or water company pumping plants. Standard single phase or 3 phase service is rendered at 220, 440 or 2200 volts, 60 cycle frequency.

##### *Territory.*

Applicable to the entire territory served by the company.

##### *Rate.*

##### *1. Readiness to Serve.*

First 5 horsepower or less of active load, \$50 per year.

All over 5 horsepower of active load, \$8 per horsepower per year.

##### *2. Plus Energy Charge.*

First 4,000 kilowatt hours per meter per year----1½ cents per kilowatt hour

Next 6,000 kilowatt hours per meter per year----1½ cents per kilowatt hour

All over 10,000 kilowatt hours per meter per year----1 cent per kilowatt hour

*Special Conditions.*

1. The customer is allowed to connect 120 watts in lighting on his side of the meter for each 50 horsepower or less of installed local capacity. These lights are restricted to within or attached to the building in which the motor is installed.

2. Active load as herein referred to shall equal the rated horsepower of the installation except in case of two or more motors, where upon request of applicant or consumer the active load will be determined by test.

The surcharges authorized in Decision 6281, *supra*, applicable to electric energy sold for agricultural power service, shall be charged in addition to the rates herein established;

Provided, San Diego Consolidated Gas and Electric Company shall, within ten days of the date of this order, file with the Railroad Commission of the State of California the revised schedules of rates herein established.

Dated at San Francisco, California, this nineteenth day of November, 1919.

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DECISION No. 6852.

IN THE MATTER OF THE APPLICATION OF THE SOUTHERN SIERRAS POWER COMPANY FOR AN ORDER AUTHORIZING IT TO ISSUE AND SELL ITS FIRST AND REFUNDING MORTGAGE BONDS UNDER THE TERMS OF ITS FIRST AND REFUNDING MORTGAGE, DATED JANUARY 1, 1915, TO LOS ANGELES TRUST AND SAVINGS BANK OF CALIFORNIA AND THE INTERNATIONAL TRUST COMPANY OF DENVER, COLORADO, TRUSTEES.

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Application No. 4747.

Decided November 19, 1919.

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*Charles F. Potter*, for Applicant.

EDGERTON, *Commissioner*.

**OPINION.**

In this application, as amended, The Southern Sierras Power Company asks permission to issue \$415,291.68 face value of its first and refunding mortgage bonds.

Applicant reports that pursuant to the authority granted in Decisions Nos. 5242, 5254, 5255 and 5267, it acquired the properties and assumed the liabilities of Rialto Light, Power and Water Company, Corona Gas and Electric Light Company, Bishop Light and Power Company and Coachella Valley Ice and Electric Company. The actual and

reasonable value of the properties is reported by applicant at \$788,578.45. There are, however, \$300,000 of Coachella Valley and Electric Company bonds outstanding, the payment of which has been assumed by applicant and which bonds are a lien on the properties acquired from the Coachella Valley Ice and Electric Company. Deducting the \$300,000 from the \$788,578.45 leaves a net value of \$488,578.45. It is against this net value that applicant desires to issue the \$415,291.68 face value of bonds.

Applicant reports that to acquire the properties, it has expended from its income and treasury the sum of \$488,578.45. It seems that at least part of this money was obtained from the Nevada-California Electric Corporation, which owns practically all of applicant's outstanding stock. Applicant pays at this time 8 per cent interest on the moneys which it owes the Nevada-California Electric Corporation. It appears from the statement by counsel that the proceeds from the sale of the bonds herein authorized will be used to liquidate in part applicant's indebtedness to the Nevada-California Electric Corporation and that such liquidation will result in a reduction in the interest rate.

I herewith submit the following form of order:

#### ORDER.

The Southern Sierras Power Company having applied to the Railroad Commission for permission to issue bonds, a public hearing having been held and the Commission being of the opinion that the moneys, property or labor to be procured or paid for by such issue is reasonably required for the purpose or purposes specified in the order and that the expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income;

*It is hereby ordered*, that the Southern Sierras Power Company be, and it is hereby, authorized to issue for the purpose of reimbursing its treasury because of the expenditures referred to in the petition herein, \$415,291.68 face value of its first and refunding mortgage 6 per cent bonds due January 1, 1965.

The authority herein granted is upon the following conditions, and not otherwise:

1. The bonds herein authorized to be issued shall be sold by applicant for not less than 85 per cent of their face value plus accrued interest and the proceeds used by applicant to liquidate in part its indebtedness due the Nevada-California Electric Corporation.
2. The Southern Sierras Power Company shall keep such record of the issue and sale of the bonds herein authorized and of the disposition of the proceeds as will enable it to file on or before the twenty-fifth day of each month a verified report as required by the Railroad Commis-

sion's General Order No. 24, which order, in so far as applicable, is made a part of this order.

3. The authority herein granted will not become effective until applicant has paid the fee prescribed by the Public Utilities Act.

4. The authority herein granted will apply only to such bonds as may be issued on or before March 1, 1920.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this nineteenth day of November, 1919.

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DECISION No. 6853.

IN THE MATTER OF THE APPLICATION OF EAST BAY WATER COMPANY, A CORPORATION, FOR AN ORDER PERMITTING IT TO REPLACE CERTAIN LARGE MAINS, TAPS AND SERVICES NOW USED EXCLUSIVELY IN SUPPLYING THE SOUTHERN PACIFIC COMPANY AT OAKLAND, CALIFORNIA, WITH SMALLER MAINS, TAPS AND SERVICES.

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Application No. 3215.

Decided November 19, 1919.

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**WATER SERVICE—EXTRA FACILITIES—MAINTENANCE OF.**—A public utility is not obligated to maintain expensive service installations solely as a standby to serve one large consumer in emergency cases unless such consumer is willing to pay a reasonable return on the cost of such service in addition to the regular rates for whatever amounts of water may be used.

*McKee and Tasheira*, by *A. G. Tasheira*, for East Bay Water Company.

*George D. Squires*, for Southern Pacific Company.

*EDGERTON*, Commissioner.

**OPINION.**

This is an application of the East Bay Water Company for authority to remove certain pipe lines and facilities now supplying water to the Southern Pacific Company at its Oakland Pier roundhouse, yards, freight office, depot and wharves.

Applicant proposes to replace the present large services and other facilities with smaller pipes and meters through which the amount of water now used by Southern Pacific Company, or even greater quantities, can be drawn from applicant's water system.

Prior to May, 1917, the average use of water by the Southern Pacific Company was somewhat in excess of 130,000 cubic feet per month, but since that time the quantity used has greatly diminished. This is due to the fact that Southern Pacific Company purchased water from the

Union Water Company, a competing utility. In emergencies the draft on applicant's system is temporarily increased to large amounts. Applicant contends that this unrestricted use of water in large amounts to meet emergencies caused by failure of its competitor to deliver an adequate quantity, necessitates the maintenance by it of facilities of such capacity and size that the revenue derived from the service is non-compensatory. Furthermore, such use will draw so heavily upon applicant's system as to seriously deplete the supply of many other consumers, causing thereby poor and intermittent service.

The Southern Pacific Company contends that applicant should be ready at all times to supply all the water that can be taken through the present facilities, likening itself to the ordinary householder to whom the East Bay Water Company is under obligation to provide service at any time and for brief periods.

We can not consider the Southern Pacific Company in that light, as of approximately 60,000 consumers, this one user with seven services has in the past used 8 per cent of all water delivered by applicant. The transportation of so large a proportion of the water supply to one locality is obviously an entirely different matter from the transportation of the supply to the individual householder.

Applicant submitted evidence to show that the value of the pipe lines and services heretofore used in serving the Southern Pacific Company is \$100,000, at present prices of material and labor, and that the cost of removing these pipe lines and replacing them with pipe of sufficient capacity to serve the present normal use of the Southern Pacific Company will cost approximately \$30,000, leaving about \$70,000 as the net salvage value.

The record in Case No. 1008, being the Commission's investigation into the rates and service of the East Bay Water Company, has been analyzed in so far as it refers to these particular pipe lines and services. This analysis shows a difference in the appraised cost of the present facilities and the pipe lines and services which applicant proposes to install, of from \$32,000 to \$36,000. The difference in maintenance and operation cost of the two sets of facilities is between \$1,500 and \$2,000 annually, the difference in depreciation annuity is between \$50 and \$150 per annum, and interest at 7 per cent on the difference in the appraised cost amounts to from \$2,240 to \$2,520 per annum.

It is therefore evident that some amount between \$3,800 and \$4,700 should be received by applicant, if the present facilities are to be retained and if it is to be required to stand ready with sufficient water for the Southern Pacific Company's unrestricted draft.

I propose that the East Bay Water Company be granted its application, provided the Southern Pacific Company does not agree to pay



the following amounts monthly in addition to the established rates for water:

	Monthly use	Monthly payments
Over	130,000 cubic feet	\$0 00
Between	110,000 and 130,000 cubic feet	50 00
Between	90,000 and 110,000 cubic feet	100 00
Between	70,000 and 90,000 cubic feet	150 00
Between	50,000 and 70,000 cubic feet	200 00
Between	30,000 and 50,000 cubic feet	250 00
Between	10,000 and 30,000 cubic feet	300 00
Less than	10,000 cubic feet	350 00

I recommend the following form of order:

#### ORDER.

East Bay Water Company having made application for authority to remove certain pipe lines, services and meters now in place and used exclusively by Southern Pacific Company, a public hearing having been held, and the Commission being fully apprised in the premises;

*It is hereby ordered*, that the application of East Bay Water Company be, and it is hereby, granted, unless the Southern Pacific Company shall, with ten (10) days of the date hereof, file with this Commission and the East Bay Water Company, written agreement that it will pay in addition to the amounts due for water used, at the legal rates in effect, the charges set out in the preceding opinion.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this nineteenth day of November, 1919.

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DECISION No. 6854.

W. J. JEWELL

*vs.*

GEORGE L. HOLTON, PRESIDENT OF TURNER OIL COMPANY.

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Case No. 1327.

Decided November 19, 1919.

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W. J. Jewell, *in propria persona*.

Earl L. Wisdom, for Defendant.

BY THE COMMISSION.

#### OPINION.

The complaint alleges that defendant refuses to supply water for irrigation to complainant's land which lies in the district in which

defendant supplies water. The answer alleges, among other things, that defendant's well is now taxed to its capacity to supply water for defendant's needs and those of his neighbors who are being supplied temporarily.

A public hearing was held before Examiner Westover in Los Angeles.

From the testimony it appears that the capacity of defendant's well last summer was about 65 miner's inches, although it was formerly about 90 miner's inches; that the needs of defendant's citrus orchards and the needs of his neighbors now being supplied are constantly increasing and that there is not sufficient water available to supply complainant.

It further appears that complainant has a well and pumping plant upon his land but that he does not know the depth or capacity of the well or the capacity of the pump or engine, and that the well is of doubtful value, but that it might prove successful if sunk to the depth of successful wells in the vicinity.

#### ORDER.

A public hearing having been held in the above-entitled case and the Commission being now fully informed in the matter;

*The Commission hereby finds as a fact, that defendant has not sufficient water to serve complainant in addition to supplying the needs of his present consumers and himself.*

Basing its order herein upon the foregoing findings of fact and upon the findings of facts contained in the opinion that precedes this order;

*It is hereby ordered, that this complaint be, and it is hereby, dismissed.*

Dated at San Francisco, California, this nineteenth day of November, 1919.

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DECISION No. 6856.

IN THE MATTER OF THE APPLICATION OF GEO. A. OGDEN FOR  
AUTHORITY TO INCREASE RATES FOR THE STORAGE OF HAY  
IN WAREHOUSES IN THE CITY OF WOODLAND.

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Application No. 4647.

Decided November 19, 1919.

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Chas. W. Thomas, for Applicant.

BY THE COMMISSION.

#### OPINION.

The applicant in this proceeding operates four warehouses in the city of Woodland, three used principally for the storage of grains and one

devoted exclusively to the storage of hay. Authority is sought under section 63 of the Public Utilities Act to increase the rates for the storage and handling of hay; the grain rates are not to be changed. The rate of \$1 per ton of 2000 pounds per season, with a loading out charge of 25 cents per ton, now being assessed for the storage of hay became effective August 14, 1912, and is published in Tariff C. R. C. No. 3. It is proposed to establish a rate of \$2 per ton, which will include the loading into cars.

The application is based upon the general allegation that during the past three years there has been a constant and continuing increase in the cost of labor, materials, operating and maintenance expenses of the warehouses; also that an added burden of responsibility has been imposed by reason of the enhanced value of hay and the greater care now required for its handling and protection.

A hearing was held on the application at Woodland before Examiner Enzell, following the usual press announcements and individual notices to storers, but no one appeared in opposition. Applicant stated at the hearing that many of his patrons had been consulted regarding the proposed increases and that none protested.

The rate of \$1.25 per ton now being charged was published, as heretofore stated, on August 14, 1912, since which date there has been no change. The publication was in compliance with the provisions of the Public Utilities Act, effective March 23, 1912, when the warehouses in the State of California were made public utilities and first came under the jurisdiction of this Commission.

With reference to increased operating costs, applicant showed by the testimony of witnesses that warehouse truckers formerly hired for \$2.50 now receive \$4 per day and pilers, obtainable at \$3 prior to 1915, now demand \$6 per day for the same service; also that all other operating costs have increased. Further, that since 1912, when this rate was established, customs have changed and the storer and shipper are demanding a different and better service, including weight certificates and the proper stenciling of outgoing commodities to meet United States government regulations.

A summary of the annual reports for the years 1916, 1917, 1918, covering all of applicant's warehouse business, shows results as follows:

*Operating Statement.*

	1916	1917	1918
Receipts -----	\$8,598 75	\$12,928 00	\$15,049 00
Expenses -----	7,020 53	8,597 85	12,704 23
Profit -----	\$1,578 22	\$4,330 15	\$2,344 77

*Details of Receipts.*

	1916	1917	1918
Grain storage -----	\$6,750 00	\$10,849 50	\$11,919 00
Rice storage -----			1,495 00
Hay storage -----	1,843 75	1,577 50	1,635 00
Bean storage -----		141 00	
Raisin storage -----		360 00	
	\$8,593 75	\$12,928 00	\$15,049 00
Average gross annual receipts-----			\$12,190 25
Average annual receipts from hay-----			1,685 42

No segregation of operating expenses as to the different commodities is made by the system of bookkeeping employed and the cost of handling a ton of hay can not be accurately ascertained either from the reports on file with this Commission or from the testimony introduced at the hearing. It will be noted, however, that the average receipts, during the three-year period, from the storage of hay were \$1,685.42, or about 14 per cent of the entire business handled. The average expenses during the same period were \$9,440.87. By using the 14 per cent, a revenue pro-rate, as a basis for determining the cost for handling the hay, there would be an average cost of \$1,321.70, or an estimated average annual profit from the hay tonnage of \$363.70.

Taking the activities as a whole, it will be observed by referring to the preceding table that while receipts increased from \$12,928 in 1917 to \$15,049 in 1918, or \$2,121, operating expenses increased from \$8,597.85 in 1917 to \$12,704.23 in 1918, or \$4,106.38, and that the net profits decreased from \$4,330.15 in 1917 to \$2,344.77 in 1918, a difference of \$1,985.38, proving conclusively that expenses are increasing faster than the gross receipts. The largest item of expense is labor and the annual reports show that the same cost \$3,635.50 in 1916; \$5,625.50 in 1917 and \$7,845 in 1918, an increase in 1918 over 1917 of \$2,219.50, or 39½ per cent.

In order to produce the average annual revenue of \$1,685.42 under the present rate, 1350 tons of hay were stored. An advance in the rate from \$1.25 to \$2 per ton, or 60 per cent, as sought would, in an ordinary season, increase earnings over \$1,000.

From the testimony and exhibits it appears that applicant has not justified the increasing of the rate to \$2 per ton, but it is clearly proven that the expenses of operation have steadily advanced since the rates now being charged were made effective.

In the Sacramento Valley territory the maximum rate is \$1.50 per ton and this rate would appear to be just and reasonable at Woodland,

where it has not been shown that operating conditions are different from those prevailing at other points in the same general territory.

Upon consideration of the record, it is found as a fact that the present rate of \$1.25 per ton is unremunerative and that a rate of \$1.50 per ton per season, June 1 to May 31, is a just and reasonable rate for the storage of hay in applicant's warehouse at Woodland.

#### ORDER.

Geo. A. Ogden, proprietor of Woodland Warehouses, having made application to the Railroad Commission for authority to increase rates for the storage of hay at Woodland, a public hearing having been held, the matter having been submitted, and being now ready for decision;

*It is hereby found as a fact*, that the rates now in effect by applicant for the storage of hay at Woodland are unjust and unreasonable.

Basing its order upon the foregoing finding of fact, and upon other facts and findings contained in the opinion preceding this order;

*It is hereby ordered*, that Geo. A. Ogden be, and he is hereby, authorized to publish and file with the Railroad Commission within thirty (30) days from the date hereof the following rates for the storage of hay at Woodland, which rates are hereby found to be just and reasonable:

Storage of hay, in bales, per season ending May 31-----	\$1 25 per ton
Loading into cars-----	25 per ton

Dated at San Francisco, California, this nineteenth day of November, 1919.

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#### DECISION No. 6862.

IN THE MATTER OF THE APPLICATION OF SOUTHERN COUNTIES GAS COMPANY OF CALIFORNIA FOR AN ORDER AUTHORIZING THE ISSUANCE OF DEBENTURES AND THE EXECUTION OF A MORTGAGE SECURING THE SAME.

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Application No. 5101.

Decided November 21, 1919.

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*Hunsaker, Britt & Edwards*, by LeRoy M. Edwards, for Applicant.

LOVELAND AND BRUNDIGE, *Commissioners*.

#### OPINION.

Southern Counties Gas Company of California asks permission to execute a mortgage to secure the payment of \$900,000 of 6 per cent serial 5-year gold notes, or debentures, and issue said notes or debentures at an average price of 92 per cent of their face value and accrued interest for the purposes hereinafter indicated.

Applicant reports that its \$400,000 2-year debentures are payable December 1, 1919. In addition, it reports as of November 4, 1919, notes payable amounting to \$591,497.20 and accounts payable of \$173,113.43, making a total of \$764,610.67. Including the \$400,000 of 2-year debentures due December 1, 1919, applicant reports current liabilities of \$1,164,610.67. Of this indebtedness, \$310,500 is represented by notes given in order to procure funds with which to finance the purchase of the Santa Barbara and Ventura properties. The \$310,500 is said to represent the cost of these properties over and above the amount which the company received from the sale of the bonds which the Commission authorized in connection with the purchase of the properties. The company has filed with the Commission a stipulation agreeing that the moneys expended by it to purchase the Ventura and Santa Barbara properties over and above the amount realized from the sale of the bonds which the Commission authorized for that purpose, will be paid out of surplus earnings. The company asks permission to refund temporarily the current liabilities incurred for the purpose of paying in part for the Santa Barbara and Ventura properties. The notes issued to refund such liabilities, will be paid at the rate of \$100,000 a year as provided in the proposed mortgage. The remaining current liabilities of the company—\$854,110.67—appear to represent expenditures for the construction of additions and betterments which can not be paid for through the sale of first mortgage bonds.

Applicant asks permission to use the proceeds obtained from the sale of the \$900,000 of 5-year 6 per cent serial gold notes, or debentures, to pay the \$400,000 of 2-year debentures due December 1, 1919, and apply the remainder of the proceeds to the payment of notes and accounts payable set forth in Exhibits "A" and "B" attached to the petition herein.

Applicant has filed with the Railroad Commission a copy of the proposed mortgage which it intends to execute for the purpose of securing the payment of the \$900,000 of 6 per cent 5-year serial gold notes. The mortgage constitutes a second lien upon all the properties of the company now owned or hereafter acquired. The mortgage provides that \$100,000 of the notes shall mature on the first day of December in each of the years 1920 to 1923, both inclusive, and \$500,000 on December 1, 1924. It provides for the redemption of the notes at par plus accrued interest and a premium of one-half of one per centum of the principal thereof if such redemption occurs not more than twelve months, and of one per centum of the principal thereof if such redemption occurs more than twelve months prior to the regular maturity of the notes.

Applicant estimates its construction expenditures for the fourteen months ending December 1, 1920, at \$948,550. The record shows that

present stockholders of applicant are willing to purchase, if necessary, at least from \$150,000 to \$200,000 of common stock to enable the company to carry out its construction program and meet its financial obligations.

We herewith submit the following form of order.

#### ORDER.

Southern Counties Gas Company of California having applied to the Railroad Commission for authority to execute a mortgage and issue \$900,000 face value of notes or debentures, a public hearing having been held and it appearing to the Railroad Commission that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose or purposes specified in the order, and that the expenditures for such purpose or purposes, except the expenditures to refund the indebtedness incurred to acquire the Santa Barbara and Ventura properties, are not in whole or in part reasonably chargeable to operating expenses or to income;

*It is hereby ordered*, that Southern Counties Gas Company of California be, and it is hereby, authorized to execute a mortgage substantially in the same form as the mortgage filed in this proceeding on November 19, 1919.

*It is hereby further ordered*, that Southern Counties Gas Company of California be, and it is hereby, authorized to issue \$900,000 face value of 6 per cent 5-year serial secured gold notes, or debentures.

The authority herein granted is upon the following conditions, and not otherwise:

1. The notes, or debentures, herein authorized to be issued shall be sold by applicant for cash at an average price of not less than 92 per cent of their face value plus accrued interest, and \$400,000 of the proceeds used to pay the \$400,000 of debentures due December 1, 1919, and the remainder of the proceeds to pay notes and accounts payable listed in Exhibits "A" and "B" attached to the petition herein.

2. The approval herein given of said mortgage is for the purpose of this proceeding only and an approval in so far as this Commission has jurisdiction under the terms of the Public Utilities Act, and is not intended as an approval of said mortgage as to such other legal requirements, to which said mortgage may be subject.

3. Southern Counties Gas Company of California shall keep such record of the issue and sale of the notes, or debentures, herein authorized and of the disposition of the proceeds as will enable it to file on or before the twenty-fifth day of each month a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

4. The authority herein granted will not become effective until applicant has paid the fee prescribed by the Public Utilities Act.

5. The authority herein granted will apply only to such notes, or debentures, as may be issued on or before April 1, 1920.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-first day of November, 1919.

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DECISION No. 6864.

IN THE MATTER OF THE APPLICATION OF SOUTHERN CALIFORNIA EDISON COMPANY, A CORPORATION, FOR AUTHORITY TO ISSUE AND SELL BONDS IN THE AMOUNT OF SEVEN MILLION FIVE HUNDRED THOUSAND DOLLARS.

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Application No. 5119.

Decided November 24, 1919.

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*Roy V. Reppy*, for Applicant.

EDGEERTON, *Commissioner*.

**OPINION.**

Southern California Edison Company asks permission to issue \$7,500,000 of its general and refunding mortgage 6 per cent 25-year gold bonds of the "Series of 1919," at not less than 93 per cent of their face value plus accrued interest, and use the proceeds for the purposes hereinafter indicated.

Applicant has filed with the Commission statements in which it reports uncapitalized expenditures on capital account as follows:

Prior to August 1, 1919.....	\$325,034 52
During August, 1919.....	862,405 24
During September, 1919.....	980,322 10
During October, 1919.....	1,106,336 08
Total .....	\$3,274,097 94

The expenditures prior to August 1, applicant intends to finance through the issue of common stock.

Applicant has also filed with the Commission statements in which it reports its estimated expenditures for the construction of improvements, extensions, additions and betterments to its properties for the fourteen months ending December 1, 1920, at \$13,280,393.92, which amount added to the reported August, September and October expenditures makes a total of \$16,229,457.34. It is for the purpose of securing



funds necessary to pay in part for these expenditures that applicant asks permission to issue the \$7,500,000 of bonds.

Applicant is now engaged in constructing a new power plant to be known as "Kern River No. 3." According to its reports, this plant will have a maximum generating capacity of 32,000 kilowatts or the equivalent of 43,000 horsepower. The August, September and October expenditures reported at \$2,949,063.42, and to which reference is made above, includes \$1,860,417.53 expended on Kern River No. 3.

Applicant asks permission to use forthwith the proceeds from the sale of \$2,949,063.42 of bonds to finance its August, September and October expenditures on capital account and pay notes or accounts payable referred to in "Exhibit B." The remainder of the proceeds applicant agrees to deposit in a special fund or funds and expend them only for such purposes as the Railroad Commission may from time to time authorize in a supplemental order or orders.

I herewith submit the following form of order:

#### ORDER.

Southern California Edison Company having applied to the Railroad Commission for permission to issue bonds, as indicated in the foregoing opinion, a public hearing having been held and the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose or purposes specified in this order, and that the expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income;

*It is hereby ordered*, that Southern California Edison Company be, and it is hereby, granted authority to issue \$7,500,000 of its general and refunding mortgage 6 per cent 25-year gold bonds of "Series of 1919," subject to the following conditions:

1. The bonds shall be sold by applicant for cash at not less than 93 per cent of their face value plus accrued interest.
2. Of the bonds herein authorized to be issued, \$2,949,063.42 face value, may be used to finance August, September and October expenditures on capital account, and the proceeds used to pay part of the notes and accounts payable set forth in applicant's Exhibit "B."
3. The proceeds from the sale of the remainder of the bonds herein authorized to be issued shall be deposited in a special fund or funds and expended only for such purposes as the Railroad Commission may authorize in a supplemental order or orders.
4. Southern California Edison Company shall keep such record of the issue and sale of the bonds herein authorized and of the disposition of the proceeds as will enable it to file on or before the twenty-fifth day

of each month a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

5. The authority herein granted to issue bonds will not become effective until applicant has paid the fee prescribed in the Public Utilities Act.

6. The authority herein granted to issue bonds will apply only to such bonds as may be issued and sold on or before June 30, 1920.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-fourth day of November, 1919.

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DECISION No. 6865.

IN THE MATTER OF THE APPLICATION OF SOUTHERN CALIFORNIA EDISON COMPANY, A CORPORATION, FOR AUTHORITY TO ISSUE CERTAIN BONDS AND DEBENTURES.

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Application No. 4310.

Decided November 24, 1919.

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*Roy V. Reppy*, for Applicant.

EDGERTON, *Commissioner*.

**SECOND SUPPLEMENTAL ORDER.**

Whereas, the Railroad Commission by Decision No. 4483, dated July 25, 1917, authorized Southern California Edison Company to issue \$1,978,000 of bonds under the terms of the trust deed executed by Southern California Edison Company to Harris Trust and Savings Bank and Los Angeles Trust and Savings Bank, trustees, dated July 1, 1917, provided said bonds be issued to the trustees named in said trust deed, and thereafter used only for exchange par for par for Southern California Edison Company 6 per cent 5-year convertible gold debentures secured by an agreement dated March 15, 1915; and

Whereas, by Decision No. 6096, dated January 31, 1919, the Commission amended Decision No. 4483, dated July 25, 1917, so as to permit Southern California Edison Company to issue subject to the conditions of said Decision No. 4483, dated July 25, 1917, \$1,978,000 of bonds of "Series of 1919" for the purpose of refunding \$1,978,000 of "Debentures of 1915"; and

Whereas, applicant now reports that there remain outstanding \$1,977,000 of "Debentures of 1915": and that it may be impossible for

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it to refund the debentures through the issue of bonds at par, and therefore requests permission to issue said bonds on a basis of not less than 97 per cent of their face value plus accrued interest; and it appearing from the testimony herein that applicant's request is reasonable; now, therefore,

*It is hereby ordered*, that Decision No. 4483, dated July 25, 1917, as amended by Decision No. 6096, dated January 31, 1919, be, and it is hereby, amended so as to permit Southern California Edison Company to exchange the \$1,977,000 of "Debentures of 1915" at par for \$1,977,000 of "Series of 1919" bonds at 97 and pay to Harris Trust and Savings Bank, trustee, from time to time as required, a sum of money sufficient to cover the discount on the bonds issued in exchange for the debentures.

*It is hereby further ordered*, that Decision No. 4483, dated July 25, 1917, as amended, shall remain in full force and effect except as modified by this second supplemental order.

Dated at San Francisco, California, this twenty-fourth day of November, 1919.

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DECISION No. 6868.

IN THE MATTER OF THE APPLICATION OF SESPE LIGHT AND POWER COMPANY FOR CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY.

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Application No. 5043.

Decided November 26, 1919.

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Applicant granted certificate authorizing proposed construction of hydroelectric and irrigation developments on Sespe and Piru rivers; provided, that such certificate does not authorize applicant to exercise in any way rights under franchises or permits hereinafter obtained.

*Frank Buren*, for Applicant.

LOVELAND, *Commissioner*.

**OPINION.**

This is an application by Sespe Light and Power Company for a certificate of public convenience and necessity for the construction by it of electric power plants and irrigation systems on the Sespe and Piru rivers in Ventura County.

The projects proposed by applicant, will, when completed, develop approximately 35,000 horsepower of electric energy and store about 100,000 acre-feet of water per annum for irrigation purposes. Applicant states that there is urgent need for additional energy for power

purposes in the southern part of the state, and that there is approximately 100,000 acres of agricultural land immediately adjacent to this project, situate in the Santa Clara, Simi, Little Simi, Epworth, Los Posas, Conejo and Russell valleys, to the irrigation of which the developed water can be advantageously applied, after passing through the proposed power plants.

Applicant alleges that it has already made considerable expenditures for the preliminary work of these developments. Its project contemplates two units, the first of which, known as the lower development, comprises two dams and reservoirs on the Sespe River creating a storage of approximately 50,000 acre-feet, a power conduit slightly over 8 miles in length, 3000 feet of pressure pipe, and a 10,000-kilowatt power plant utilizing a drop of 1000 feet. When the second unit of the project is completed, this power plant would be increased to 18,000 kilowatts capacity.

The second unit of the project, or the upper development, contemplates the construction of reservoirs on the Piru watershed totaling approximately 100,000 acre-feet, conduits, pressure pipe lines, an 8000-kilowatt power plant located above the first unit, from which the water of the Piru River will be discharged into the Sespe River to be used again at the lower power plant.

Applicant has duly filed with the Water Commission of the State of California the necessary request for water rights and has received a final power permit and extensions thereon from the United States Department of Agriculture, Forest Service, covering the first unit of this project, this project being located within the Santa Barbara National Forest Reserve. To keep the permit alive during war period, extensions were granted from time to time by the United States Forest Service, and the last extension requires that actual construction work be commenced on the project by December 1, 1919.

Sespe Light and Power Company has made preliminary investigations and plans for its projects, but, up to the present, has not fully arranged for financing any portion of its developments. Applicant proposes to begin construction of its first unit of reservoirs and a plant on the Sespe River immediately and pursue same to completion, but submits no plan for financing even this early stage of its project.

The evidence presented, although incomplete in many respects, tends to show that a combined development of both power and irrigation is necessary if the project is to be at all profitable. Applicant does not plan to construct a distribution system for the disposition of its power, but expects to enter into an arrangement with Southern California Edison Company for wholesale delivery of its power to that utility. Negotiations to this end have been under way but no final contract has

been entered into. It does not ask at this time for authority to issue any securities.

Under the circumstances, applicant's request for a certificate by this Commission must be limited to a recognition of its plans to proceed with a project of a public utility character, and to such action upon the matter as will enable applicant to comply with the customary legal requirements precedent to actual construction.

It appears that the project is feasible, if economically constructed as a combined development for irrigation and power, and, under these circumstances, I recommend that Sespe Light and Power Company be granted a certificate to the extent set forth in the following order:

#### **ORDER.**

Sespe Light and Power Company having applied to the Railroad Commission for a certificate of public convenience and necessity to construct power and irrigation projects on the Sespe and Piru rivers in Ventura County, a hearing having been held and the matter being submitted and now ready for decision;

The Railroad Commission of the State of California hereby declares that public convenience and necessity require and will require the construction and operation of certain hydroelectric plants and irrigation developments on the Sespe and Piru rivers, Ventura County, by Sespe Light and Power Company.

The certificate herein granted is limited to the proposed construction of hydroelectric and irrigation developments on the Sespe and Piru rivers, and does not grant rights to exercise any franchises or permits that may hereafter be obtained for the transmission or distribution of electricity or water within the county of Ventura. A certificate for the other and further rights to be exercised in this connection, will be considered at such time as Sespe Light and Power Company shall hereafter apply for same.

Provided, that within ninety days from date of this order applicant shall present satisfactory evidence of compliance with all state and federal laws establishing the right of applicant to the use of water sufficient to the successful establishment of this enterprise; also within said time applicant shall present to the Commission a satisfactory plan for financing this project, together with sufficient data to enable the Commission to determine the feasibility of the project.

If compliance with these conditions is not made by applicant within said ninety days this certificate and order shall be null and void unless otherwise ordered by the Commission.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-sixth day of November, 1919.

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DECISION No. 6869.

IN THE MATTER OF THE APPLICATION OF NORTH FORK DITCH COMPANY, A CORPORATION, FOR AN ORDER AUTHORIZING IT TO MORTGAGE PROPERTY AND TO EXECUTE A MORTGAGE AND MORTGAGE NOTE.

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Application No. 5099.

Decided November 26, 1919.

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*Theodore J. Savage*, for Applicant.

DEVLIN, *Commissioner*.

**OPINION.**

This is an application of North Fork Ditch Company for permission to issue to C. W. Clarke Company, a 6 per cent promissory note, due June 15, 1923, in the principal sum of \$150,000, and to execute a mortgage on its property to secure the payment of the note.

Applicant reports that on August 6, 1915, it issued to C. W. Clarke Company, two 6 per cent notes of the aggregate face value of \$158,000. Both notes, one for \$141,000, the other for \$17,000, were payable June 15, 1916, but nothing has been paid on the principal of either note. The note for \$141,000 was issued pursuant to Decision No. 2319, dated April 21, 1915, for the purpose of refunding notes having a total face value of \$141,000. The issue of the \$17,000 note was not authorized by the Commission. Applicant intends to pay \$8,000 on the principal of the two notes, and refund the remainder, \$150,000, of the indebtedness through the issue of a new \$150,000 note, the payment of which is to be secured by a mortgage covering all of applicant's properties.

The record shows that applicant will levy an assessment upon its stockholders to obtain the moneys necessary to make the \$8,000 payment. It seems that the collection of the assessment should be made a condition precedent to the effective date of the authority herein granted.

Applicant reports that since August 6, 1915, the date on which the

notes now outstanding were issued, it expended \$47,323.78 for extensions, additions and betterments to its plant and system.

I herewith submit the following form of order:

**ORDER.**

North Fork Ditch Company having applied to the Railroad Commission for authority to issue a promissory note and to execute a mortgage, a public hearing having been held, and the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required for the purposes specified in the order, and that the expenditures for such purposes are not in whole or in part reasonably chargeable to operating expenses or to income;

*It is hereby ordered*, that North Fork Ditch Company be, and it is hereby, authorized to issue a note to C. W. Clarke Company in the sum of \$150,000, said note to bear interest at a rate of not more than 6 per cent and to be payable on or before June 15, 1923.

*It is hereby further ordered*, that North Fork Ditch Company be, and it is hereby, authorized to execute a mortgage on its properties to C. W. Clarke Company as security for the payment of said note; said mortgage to be substantially of the same form as the mortgage attached to the petition herein.

The authority herein granted is upon the following conditions and not otherwise:

1. The note herein authorized shall be issued to pay in part the \$158,000 indebtedness to C. W. Clarke Company represented by the two notes to which reference is made in the opinion which precedes this order.

2. The authority herein granted to issue a note and execute a mortgage will not become effective until applicant has filed with the Commission a statement showing that it has paid the remainder of the indebtedness to C. W. Clarke Company, amounting to \$8,000, through money obtained from an assessment on its capital stock.

3. The approval herein given of said mortgage is for the purpose of this proceeding only and an approval in so far as this Commission has jurisdiction under the terms of the Public Utilities Act, and is not intended as an approval of said mortgage as to such other legal requirements to which said mortgage may be subject.

4. Within thirty days after the execution of the note and mortgage herein authorized, North Fork Ditch Company shall file with the Commission a verified copy of the note issued and the mortgage executed securing payment thereof.

5. The authority herein granted will not become effective until applicant has paid the fee prescribed by the Public Utilities Act.

6. The authority herein granted will apply only to such note and mortgage as may be executed on or before February 1, 1920.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-sixth day of November, 1919.

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DECISION No. 6870.

IN THE MATTER OF THE APPLICATION OF SACRAMENTO NORTHERN RAILROAD, A CORPORATION, FOR ORDER AUTHORIZING IT TO DISCONTINUE SERVICE ON CERTAIN STREETS IN YUBA CITY AND TO REMOVE ITS TRACKS THEREFROM.

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Application No. 4429.

Decided November 28, 1919.

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*W. H. Carlin* and *Charles R. Detrick*, for Applicant.  
*Laurence Schillig*, for town of Yuba City.

BY THE COMMISSION.

**OPINION.**

Sacramento Northern Railroad, a corporation, has petitioned the Railroad Commission for an order authorizing the discontinuance of street car service on certain streets in the town of Yuba City as specifically shown on a map or blue print marked Exhibit "A" and filed with the application in this proceeding, also to remove its trackage from said streets.

A public hearing on this application was conducted at Yuba City by Examiner Handford, the matter was duly submitted, and is now ready for decision.

The trackage proposed to be removed is that commencing at a point near the west bank of the Feather River, extending thence westerly 225 feet along Bridge street to its intersection with Second street; thence southerly 778 feet to the intersection of Second street and B street; thence westerly along said B street 1400 feet to a point along said B street just east of Wilbur avenue.

The route over which suspension of service is requested includes that above mentioned where abandonment is proposed and in addition westerly along B street to its intersection with Plumas street and northerly on said Plumas street to its intersection with Bridge street.

Applicant alleges, as reasons for desiring to discontinue this service, the fact that the town of Yuba City, and particularly the locality along



which the line for which abandonment is requested operates, is adequately served by the operation of the street cars of the applicant along Bridge street; that the operation of the portion of street car line sought to be abandoned is not justified by the receipts therefrom and is a duplication of service rendered on the street car line on Bridge street paralleling that sought to be abandoned. Applicant proposes, if permission be granted to remove tracks as herein sought, to at once pave the right of way on Second street, thereby leaving the portion of street from which track is to be removed in a condition similar to that of the adjoining portions of the street.

The street car service in the town of Yuba City was first curtailed at the request of the power administrator, such request having been made during the period when the conservation of electric power was requested of all operating companies due to a shortage of hydroelectric power, and a change was made from a twenty-minute headway to a thirty-minute headway; such change being made on August 5, 1918. Later an elimination of service was made to further aid in the conservation of power and no operation was given over the tracks for which abandonment and removal is hereby requested.

A statement, filed as an exhibit at the hearing on this application, indicates that the operation of the Marysville-Yuba City street car service of applicant has resulted in a deficit of \$2,257.77 for the eighteen month period from January, 1918, to June, 1919, inclusive; this deficit covering no item of depreciation on the property nor interest on investment.

The town of Yuba City, represented by the town attorney, appeared in protest of this application principally on the basis that the application for suspension of service and abandonment and removal of trackage was to evade the cost of street paving over the portion of the line where tracks are proposed to be removed. The applicant, through its attorneys at the hearing, stipulated that the portion of the right of way on the streets on which abandonment of trackage is sought, would be paved provided the application for abandonment and removal was approved and, since the hearing on this proceeding, the president of the Sacramento Northern Railroad has advised the city attorney and the Railroad Commission that such stipulation will be complied with.

After careful consideration of all the evidence in this proceeding, we are of the opinion that the public will not be inconvenienced by the suspension of service and removal of tracks for the reason that service will be available for the public on the street car line of the applicant operated on Bridge street, which is one block north of B street.

#### ORDER.

Sacramento Northern Railroad, a corporation, having made application for an order permitting the suspension of street car service on its

lines in the town of Yuba City extending from a point near the west bank of the Feather River westerly along Bridge street to its intersection with Second street; thence westerly along said B street to its intersection with Plumas street; thence northerly along Plumas street to its intersection with Bridge street; and for approval of the abandonment and removal of street car tracks in the town of Yuba City commencing at a point near the west bank of the Feather River; thence westerly 225 feet along Bridge street to its intersection with Second street; thence southerly 778 feet to the intersection of Second street and B street; thence westerly along said B street 1400 feet to a point near the intersection of B street with Wilbur avenue; a public hearing having been held; the matter having been duly submitted and the Commission being fully advised;

*It is hereby ordered*, that this application be and the same hereby is granted; provided, however, that the applicants herein will immediately, upon the abandonment and removal of the tracks as hereinabove authorized, pave the portion of the streets in which tracks were located in the same manner as the remaining portions of the streets in accordance with the stipulation of applicant and confirmation thereof as filed with the city attorney of the town of Yuba City and this Commission.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-eighth day of November, 1919.

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DECISION No. 6872.

R. V. GRIFFIN ET AL.

*vs.*

SYCAMORE CANYON WATER COMPANY.

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Case No. 1356.

Decided November 28, 1919.

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**WATER SERVICE—SHORTAGE OF SUPPLY—RESPONSIBILITY FOR.**—A public utility water company is clearly responsible to its consumers as to an adequate supply of water and is compelled to take necessary steps to secure additional water when its present sources are insufficient.

BY THE COMMISSION.

**OPINION.**

The above entitled proceeding is a complaint of R. V. Griffin and some twelve other water consumers residing in Sycamore Canyon, adjoining the city of Glendale in Los Angeles County, against Sycamore

Canyon Water Company, a public utility water company engaged in the business of supplying water for domestic and irrigation purposes in that territory.

The complaint alleges in effect that the supply of water furnished by defendant is entirely inadequate and that it has steadily and alarmingly decreased since June 1, 1919, there being such a shortage that gardens and shrubbery have died from lack of water; also that the water furnished by defendant is unsanitary, due to the fact that its reservoir is not covered.

The complaint further alleges that the city of Glendale has offered to furnish defendant a supply of 15,000 gallons per day at the rate of five cents per hundred cubic feet, provided defendant will extend its mains to connect with the system of the city of Glendale, which extension, it is estimated, would cost approximately \$500.

Complainants are of the opinion that the above offer, if accepted, would relieve not only the existing water shortage, but would insure against shortage in the future. However, complainants state that it is understood that this offer has been declined by defendant.

Defendant, in its answer to the above complaint, says that the needs of the water consumers of Sycamore Canyon would be amply provided for by the acquisition of the water supply offered by the city of Glendale, and that it would be necessary to expend approximately \$600 to make the necessary connections from its mains to the mains of the city of Glendale to obtain said supply. As defendant does not have the required amount of money available for the above purpose, it is stated that J. C. Anderson, the majority stockholder in the Sycamore Canyon Water Company, and upon whose lands the primary source of supply is located, has offered to purchase from defendant for the sum of \$600, all its rights, title and interest in and to the waters of Sycamore Canyon, and the right to develop same, and thereby defendant will be financially able to acquire the water supply from the city of Glendale in the manner indicated.

The Sycamore Canyon Water Company was originally organized as a mutual water company, but has for several years past been conducted as a public utility, and water is sold at flat rates to the various consumers.

Public hearings were held in this matter and testimony established the fact that for seven or eight months of the year there is usually sufficient water from the present sources of supply. However, during the present summer this supply has become so seriously decreased as to amount to only a fraction of the demand even when augmented by the utmost output from a well which is located near defendant's reservoir. Inadequacy of the summer service has been established by evidence and

by admission of defendant. Clearly the responsibility is upon the utility to provide an increased amount of water to its consumers sufficient to supply them adequate service at all times. The method proposed in the answer to the complaint, and by counsel at the hearing, in regard to financing the proposed additional supply to be obtained from the city of Glendale, namely, disposing of the company's water rights for the sum of \$600, elicited vigorous protest at the hearing and it appears that it would be poor policy for the Commission to authorize such a measure. However, it is very evident that the service provided by the Sycamore Canyon Water Company to its consumers during the summer months of 1919 has been insufficient, and that with its present facilities, the utility can not render adequate service. It is further evident that an adequate supply of water is available through an arrangement with the city of Glendale, as outlined in the complaint and the answer thereto, and as detailed at the hearing by representative of the city of Glendale, and that complainants are entitled to immediate relief.

It is therefore ordered as follows:

**ORDER.**

Complainants in the above entitled matter having made application to the Railroad Commission for an order requiring defendant to furnish an adequate and sanitary supply of water, public hearings having been held, and the Commission being fully apprised in the premises;

*It is hereby ordered*, that Sycamore Canyon Water Company proceed immediately to avail itself of additional water supply, this supply to be obtained from the city of Glendale as outlined in the complaint and the answer thereto, or in such other manner as will enable the utility to provide at all times an adequate and sanitary supply of water for the needs of its consumers;

*It is further ordered*, that Sycamore Canyon Water Company shall report in writing to this Commission within ten days after the date of this order, the manner in which its water supply is to be augmented, and the progress made toward that end, together with a complete statement of the manner in which it is proposed to finance this project.

Dated at San Francisco, California, this twenty-eighth day of November, 1919.

## DECISION No. 6873.

IN THE MATTER OF THE APPLICATION OF COUNTY OF MERCED FOR AUTHORITY TO CONSTRUCT HIGHWAY CROSSING AT GRADE OVER TRACKS OF ATCHISON, TOPEKA AND SANTA FE RAILROAD COMPANY, ON THE COUNTY ROAD SITUATED ON THE NORTH LINE OF SECTION TWENTY-TWO, TOWNSHIP SIX SOUTH, RANGE TWELVE EAST, MOUNT DIABLO BASE AND MERIDIAN.

## Application No. 5040.

IN THE MATTER OF THE APPLICATION OF COUNTY OF MERCED FOR AUTHORITY TO CONSTRUCT HIGHWAY CROSSING AT GRADE OVER TRACKS OF ATCHISON, TOPEKA AND SANTA FE RAILROAD COMPANY, ON THE COUNTY ROAD SITUATED ON ONE-HALF SECTION LINE EAST AND WEST THROUGH SECTIONS TWENTY-TWO AND TWENTY-THREE, TOWNSHIP SIX SOUTH, RANGE TWELVE EAST, MOUNT DIABLO BASE AND MERIDIAN.

## Application No. 5041.

IN THE MATTER OF THE APPLICATION OF COUNTY OF MERCED FOR AUTHORITY TO CONSTRUCT HIGHWAY CROSSING AT GRADE OVER TRACKS OF ATCHISON, TOPEKA AND SANTA FE RAILROAD COMPANY, ON COUNTY ROAD SITUATED ON ONE-HALF SECTION LINE EAST AND WEST OF SECTION SIXTEEN, TOWNSHIP SIX SOUTH, RANGE TWELVE EAST, MOUNT DIABLO BASE AND MERIDIAN.

## Application No. 5042.

Decided November 28, 1919.

GRADE CROSSINGS—PROTECTION OF—AUTOMATIC FLAGMAN.—It is not necessary to install automatic flagman to protect a grade crossing when it is located in an open flat country with no obstruction to the view for long distances on either side of the crossing.

Permission to construct two of the crossings applied for granted. Application for third crossing denied.

*C. W. Croop*, District Attorney, for Applicant.

*E. W. Camp*, for United States Railroad Administration—Atchison, Topeka and Santa Fe Railroad.

*MARTIN*, Commissioner.

## OPINION.

These three applications cover crossings over the Atchison, Topeka and Santa Fe Railroad, between Cressy and Winton, Merced County. As they are all applied for by the same county over the same railroad and were heard at the same hearing at Merced on November 7, 1919, they can be covered by one opinion and order.

The three applications cover crossings on parallel east and west roads one-half of a mile apart. On account of the angle at which the railroad runs through these sections, the crossings will be approximately eight-tenths of a mile apart. The most northerly crossing, applied for under

Application No. 5042, will be about 4600 feet south of the public crossing at Cressy and the most southerly crossing, covered by Application No. 5041, will be about eight-tenths of a mile north of the crossing at Winton. The two existing public crossings mentioned are about three and one-quarter miles apart. The crossing applied for in Application No. 5040 is half way between these two public crossings and also half way between the other two crossings covered by these proceedings. In addition to the county roads dedicated every half mile through these sections, there is a road along the east side of the railroad right of way from Winton to Cressy. There are at present four private crossings west of this road between Cressy and Winton. The county roads running west out of Cressy and Winton lead to Livingston on the Southern Pacific Railroad. The road leading south out of Winton runs to Atwater on the Southern Pacific Railroad.

The county desires to open up these three crossings, in order to allow farmers east of the Santa Fe to reach towns on the Southern Pacific, and vice versa, to allow communication between the various farms in this vicinity, and to allow communication between these farms and the towns of Cressy and Winton, without the necessity of long detours as required at present.

Testimony by the applicant shows that the crossing nearest Winton (Application No. 5041) is the one most needed and desirable at this time and that the necessity for the various crossings falls off as we travel toward Cressy. Applicant admits that there will be no necessity for the crossing applied for under Application No. 5040, the northerly crossing, for probably two years.

The railroad company objects to the granting of so many crossings with such short distances between them and believes that the county will be amply served by the center crossing (Application No. 5041), as county roads can be constructed to radiate from this crossing in six directions, as follows: west, northwest (parallel with railroad), north, east, southeast to Winton (parallel with railroad), and south. It would, however, be necessary to construct about 1000 feet of road to connect the crossing with the road running south through the center of section 22. Four of these six radiating roads will cross other dedicated county roads every half mile, as Cressy Colony is laid out with dedicated county roads on all section and half section lines. The railroad company also desires that such crossings as the Commission sees fit to grant shall be constructed at right angles to the track and shall be equipped with automatic flagmen, on account of the high speed of its trains, which consist of three passenger and several freight trains each way daily.

All of these crossings are located in flat, open country, with no obstructions to the view, and travel over the crossings will be light.

Therefore, it does not appear necessary to install automatic flagmen at this time. If, on account of future growth of the country, the view at these crossings becomes obstructed on account of buildings, trees, crops, etc., or in case travel over them becomes heavy, automatic flagmen shall be installed at the expense of the county.

Although at first sight and from field inspection it appears that the center crossing might satisfy all present public needs, the testimony shows that this colony has recently been released from litigation and is being settled up rapidly. In a short time it would probably become necessary to open up the most southerly crossing covered by Application No. 5041, as applicant considers this crossing the most desirable at the present time. The most northerly crossing (Application No. 5042) does not appear necessary for some years.

It is recommended that Applications Nos. 5040 and 5041 be granted, subject to certain conditions, and that Application No. 5042 be denied.

#### ORDER.

County of Merced, having on October 10, 1919, filed with this Commission three applications for permission to construct three highways crossing the right of way and tracks of the Atchison, Topeka and Santa Fe Railroad at grade, between the towns of Cressy and Winton in said county; a public hearing having been held, and it appearing to the Commission that Application No. 5041, covering the crossing situated on the one-half section line east and west through sections 22 and 23, T. 6 S., R. 12 E., and Application No. 5040, covering the crossing on the north line of section 22, T. 6 S., R. 12 E., should be granted subject to certain conditions and that Application No. 5042, covering the crossing situated on the one-half section line east and west through section 16, T. 6 S., R. 12 E., should be denied;

*It is hereby ordered*, that the county of Merced be, and the same is hereby, granted permission to construct two crossings at grade over the right of way and tracks of the Atchison, Topeka and Santa Fe Railroad, as applied for in Applications Nos. 5040 and 5041 and as shown on the maps attached to said applications; said crossings to be constructed subject to the following conditions and not otherwise:

(1) The entire expense of constructing the crossings shall be borne by the applicant. The expense of their maintenance thereafter in good and first-class condition, for the safe and convenient use of the public, shall be borne by the applicant, with the exception of those portions between the rails and two feet outside thereof, which shall be borne by the Atchison, Topeka and Santa Fe Railroad. •

(2) The crossings shall be constructed at right angles across the railroad rights of way and tracks.

(3) Said crossings shall be constructed twenty feet in width, with grades of approach not exceeding six per cent; shall be protected by suitable crossing signs, and in every way be made safe for the passage thereover of vehicles and other road traffic.

(4) If, in the future, the travel over these crossings shall become heavy, or the view of the railroad tracks from the roads approaching the crossings shall become obstructed from any cause whatsoever, said crossings shall be protected by automatic flagmen to be installed at the expense of the county of Merced. The expense of maintaining the automatic flagmen after same have been installed shall be borne by the Atchison, Topeka and Santa Fe Railroad Company.

(5) The private crossings about 1000 feet south of the crossing covered by Application No. 5040 and the private crossing near the crossing covered by Application No. 5041 shall be closed after the public crossings have been constructed.

(6) The Commission reserves the right to make such further orders relative to the location, construction, operation, maintenance and protection of said crossings as to it may seem right and proper, and to revoke its permission if, in its judgment, the public convenience and necessity demand such action.

*It is hereby further ordered*, that Application No. 5042 be, and the same is hereby, denied without prejudice.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-eighth day of November, 1919.

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DECISION No. 6875.

IN THE MATTER OF THE APPLICATION OF THE COUNCIL OF THE CITY OF RICHMOND, STATE OF CALIFORNIA, FOR AN ORDER PERMITTING THE CONSTRUCTION AND MAINTENANCE OF AN UNDERGRADE CROSSING ACROSS THE RAILROAD TRACKS OF THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY, AT SIXTEENTH STREET IN THE CITY OF RICHMOND.

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Application No. 4446.

Decided November 28, 1919.

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APPORTIONMENT—GRADE CROSSINGS, EXPENSE OF.—Applicant for a permit to construct a crossing should bear all the expense where there is no resulting benefit to the railroad company such as the closing of existing crossings; however, where a railroad has constructed an embankment through a city without providing sufficient openings to care for the natural growth of the city, the expense should be divided equally between the city and the company.



**GRADE CROSSINGS—TITLE TO PROPERTY—JURISDICTION, DETERMINATION OF.**—It is within the jurisdiction of the courts and not the Railroad Commission to determine disputes as to title to real estate which is involved in the construction of a crossing authorized by the Commission.

*D. J. Hall*, City Attorney, for city of Richmond.

*J. W. Walker, R. B. Ball and Platt Kent*, for United States Railroad Administration—Atchison, Topeka and Santa Fe Railway Company.

*MARTIN*, Commissioner.

#### OPINION.

In this application the city of Richmond seeks an order from the Commission permitting the construction and maintenance of an under-grade highway crossing across the right of way and tracks of the Oakland branch of the Atchison, Topeka and Santa Fe Railway at Sixteenth street. This application was heard at Richmond on May 8, 1919, in conjunction with Applications Nos. 3781 and 4447. The latter applications deal with the improvement of the Macdonald avenue subway and the opening of Bissell avenue at grade across the Southern Pacific Company's tracks. The three matters were heard together, in order that traffic conditions at Richmond could be studied as a whole, but they can be decided separately on their respective merits.

The city of Richmond is cut up into several sections by the three railroads running through it. These railroads (the Atchison, Topeka and Santa Fe main line, the Atchison, Topeka and Santa Fe Oakland branch, and the Southern Pacific Company's main line) form a large triangle whose sides surround the principal business district of Richmond. This section is largely cut off from communication with that portion of the city lying to the south of it, by the Santa Fe Oakland branch, and to the east of it, by the Southern Pacific main line.

There are only five crossings, all at grade, over the Oakland branch of the Santa Fe in about 8550 feet. There are no crossings between Tenth and Twenty-third streets, a distance of about 3500 feet. There are only four crossings to the east over the Southern Pacific lines in a distance of about 4400 feet.

The Santa Fe Oakland branch runs from east to west through Richmond just north of Ohio street on a gradually rising fill and crosses over the Southern Pacific Company's lines at Twenty-third street. At Sixteenth street, which is about half way between the existing crossings at Tenth and Twenty-third streets, this fill is approximately 16 feet deep from base of rail. As the distance from base of rail to the bottom of the plate girder flanges is about 2.8 feet, which leaves 13.4 feet clear to a level roadway, it will be an easy matter to depress Sixteenth street six-tenths of a foot to get the 14-foot clearance required by the Commission's General Order No. 26. The proposed site is in every physical respect admirable for the location of a separation of grades.

The testimony shows that the section of Richmond south of Ohio street, between Tenth and Twenty-third streets, has been building up rapidly for the past three or four years. All of the streets from Tenth street to Twenty-second street and from Ohio street to Potrero avenue are improved. The people living in this section are anxious to have this crossing constructed and are willing to be assessed, to help pay for the same.

The railroad company feels that this section is amply served by the existing grade crossings and contends that, as the main business portion of Richmond lies west of Tenth street, the Tenth street crossing amply serves that district. Observation shows, however, that the business district of Richmond is gradually growing east along Macdonald avenue and investigation shows that there have recently been numerous real estate transfers east of Tenth street that look to substantial improvements. It is necessary, in deciding on the construction of a separation of grades, such as the one applied for in this application, to look not only at the present needs but also into the future, in order that the growth of our cities may be properly supervised. Too often such growth is haphazard and a matter of chance, which finally causes great inconvenience and sometimes large expenditures to rectify the errors which have grown unnoticed. It is undoubtedly true that there is a real need for an additional crossing at Sixteenth street and it is fortunate that it can so readily be made in the form of a grade separation. This crossing will be a great convenience and benefit to both local and through travel.

As is usual in a matter of this kind, both parties feel that the other should stand a major portion of the expense. Some contention arose at the hearing over the matter of the title to the land covered by this crossing on the railroad right of way. It would seem that this is a matter for the courts, rather than this Commission, to decide, and it would also seem to be the better policy for both parties to devote the costs of settling the matter of title directly to the cost of the structure contemplated. No consideration will therefore be given this angle of the situation in making this decision.

The division of cost in this instance may be taken to hinge on two conditions. Normally, where a separation of grades is applied for and no grade crossing is to be closed in lieu thereof, nor any direct benefit is to be obtained by the railroad company, the cost of such separation is generally paid by the applicant.

Taking into consideration another angle of the present case, which presents a condition where a long railway embankment has been constructed through a city without sufficient openings to take care of the

city's growth, it seems reasonable to assess the cost of a grade separation, or at least a major portion of such cost, to the company owning the embankment. Taking all matters into consideration, it appears reasonable to divide the cost of this structure in the usual manner, that is, equally between the city of Richmond and the Atchison, Topeka and Santa Fe Railway Company.

#### ORDER.

City of Richmond, having on March 19, 1919, applied to the Commission for an order permitting the construction and maintenance of an undergrade crossing across the tracks of the Atchison, Topeka and Santa Fe Railway Company at Sixteenth street in said city; a public hearing having been held, and the Commission being fully apprised in the premises and of the opinion that the application should be granted, subject to certain conditions, and that the expense of this construction should be divided between the parties in accordance with the following order;

*It is hereby ordered*, that the city of Richmond and the Atchison, Topeka and Santa Fe Railway Company be and the same hereby are ordered to construct an undergrade highway crossing at Sixteenth street, Richmond, at the point and in the manner shown by the maps attached to the application; said construction to be made subject to the following conditions, viz:

(1) The undergrade highway crossing shall be constructed with clearances to conform to the Commission's General Order No. 26.

(2) The entire expense of constructing the crossing shall be borne fifty per cent by the city of Richmond and fifty per cent by the Atchison, Topeka and Santa Fe Railway Company.

(3) The city of Richmond shall have the right to raise the necessary funds for its portion of the expense of this construction, in such manner under the laws of California as the city council shall deem proper.

(4) The Commission reserves the right to make such further orders relative to the location, construction, operation, maintenance and protection of said crossing as to it may seem right and proper, and to revoke its permission if, in its judgment, the public convenience and necessity demand such action.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-eighth day of November, 1919.

## DECISION No. 6881.

IN THE MATTER OF THE APPLICATION OF THE PACIFIC ELECTRIC RAILWAY COMPANY FOR AUTHORITY TO INCREASE RATES FOR THE TRANSPORTATION OF PETROLEUM AND PETROLEUM PRODUCTS, CARLOADS.

Application No. 4733.

Decided November 28, 1919.

**RATES—RAILROAD—FEDERAL CONTROLLED LINES.**—It is held that while uniformity of rates between federal controlled lines and other competing carriers is greatly to be desired, such reason alone is insufficient to warrant the Commission in authorizing an increase in rates.

**EVIDENCE—RATE INCREASES—SHOWING TO BE MADE.**—Section 63 of the Public Utilities Act provides that when application is made for increase in rates, a showing justifying such increase must be made, not only that the present rate is unduly low but that the proposed increase is reasonable and justified, the burden for such showing resting with the applicant.

Application to increase carload rate on petroleum and petroleum products denied without prejudice.

*Frank Karr*, for Pacific Electric Railway Company.

*O'Melveny, Milliken & Tuller*, for Holly Sugar Company, Southern California Sugar Company, and Santa Ana Sugar Company.

*Jess E. Stephens*, for the city of Los Angeles.

*Bishop & Bahler Company*, by *B. H. Carmichael*, for Vernon Oil and Refining Company, A. F. Gilmore & Company, Wilshire Oil Company, Los Angeles Pressed Brick Company, California Petroleum Exchange, and Graham-Loftus.

*H. Z. Osborne, Jr.*, for the Board of Public Utilities of the city of Los Angeles.

*R. S. Sawyer*, for the Associated Jobbers of Los Angeles.

*LOVELAND AND BRUNDIGE, Commissioners.*

### OPINION.

This is an application to increase rates on petroleum and petroleum products, in carloads, classified fifth class in the Western Classification, to the following basis:

Four and one-half cents per 100 pounds higher than rates effective June 24, 1918, but not in excess of fifth class rates as increased June 25, 1918.

When charges on a continuous through movement are obtained by combination of separately established rates, the increase of  $4\frac{1}{2}$  cents per 100 pounds will apply as to the total of such combined rates in effect June 24, 1918, fifth class rates as increased June 25, 1918, not to be exceeded.

This basis does not apply in connection with rates for switching service in connection with a line haul.

The causes leading up to this application are as follows:

On June 25, 1918, by authority of this Commission, applicant, following similar action of roads under federal control, made a general increase in freight rates of approximately 25 per cent. Later, the

federal controlled roads superseded the 25 per cent increase, in so far as it appertained to petroleum and its products, by a flat advance of  $4\frac{1}{2}$  cents per 100 pounds over the rates in effect June 24, 1918, but not to exceed the fifth class rates as increased June 25, 1918. Applicant now desires to bring its rates in line with those of the federal controlled roads by establishing the same basis of increase.

As an illustration of the effect of the proposed change, the following table has been prepared from an exhibit which accompanied application, showing in the order of columns from left to right:

1. Rates in effect prior to June 25, 1918.
2. Present rates (25 per cent increase effective June 25, 1918).
3. Proposed rates, viz, those in effect prior to June 25, 1918, increased by  $4\frac{1}{2}$  cents per 100 pounds, observing as a maximum the fifth class rates as increased June 25, 1918.

*Petroleum Crude Oil, Petroleum Gas Oil, Petroleum Fuel Oil, viz,  
Refinery Residuum, Carloads.*

To—	From—	Rates in cents per ton of 2000 pounds								
		Los Angeles			El Segundo			Stewart		
		1	2	3	1	2	3	1	2	3
Los Angeles	-----				40	50	130	40	50	130
San Pedro	-----	40	50	130	60	80	150	80	100	170
Whittier Groves	-----	50	60	140	90	110	180	90	110	180
North Pomona	-----	60	80	150	100	120	190	100	130	190
Sherman	-----	75	90	170	115	140	210	115	140	210
Santa Ana	-----	80	100	170	100	130	190	80	100	170
Sierra Madre	-----	100	130	190	100	130	190	100	130	190
San Fernando Mission	-----	125	160	220	125	160	220	125	160	220

From this it will be seen that if the 25 per cent increase of June 25, 1918, is displaced by the basis proposed, as was done in the case of federal controlled roads, advances over the original rates ranging as high as 225 per cent will result. While the foregoing statement is limited to crude oil and articles taking same rate, it is typical of the oil situation as a whole.

In support of its petition applicant avers that, notwithstanding increased earnings realized by the advance in freight rates of June 25, 1918, and subsequent increases in freight and passenger rates authorized by this Commission and the Interstate Commerce Commission, its revenues are insufficient to meet operating expenses and certain fixed charges and that further increases are necessary in order to help defray such items of expense.

It was stipulated by counsel that in so far as they are applicable to the case at bar, petitioner's annual reports on file with the Commission, also the record in Application No. 3791, decided November 21, 1918 (Decision No. 5953), and Applications Nos. 4403 and 4407, now in

process of adjudication, are to be considered in evidence herein. The three proceedings enumerated propose establishment of increased passenger fares.

In the opinion and order in Application No. 3791, *supra*, the following statement appears:

Applicant has a bonded indebtedness of \$58,141,000 and unfunded debt of approximately \$10,000,000. There is an outstanding stock issue of \$34,000,000 which is owned by the Southern Pacific Company and on which no dividends have ever been paid. Since its incorporation in 1911 this company has failed to earn operating expenses and fixed charges, the total corporate deficit as of April 30, 1918, being \$5,958,008.39.

Applicant alleges, and has shown by uncontroverted testimony, that present revenues are insufficient to meet operating expenses and fixed charges.

That this condition still exists is evident from an exhibit filed by applicant in the present proceeding, consisting of income account for six months ending June 30, 1919, which shows that operating expenses are increasing in a much greater proportion than revenue and the total corporate deficit as of June 30, 1919, has advanced to \$8,366,806.73.

No detailed valuation of applicant's system had been made prior to the hearing and decision of Application No. 3791. The matters presented to the Commission in the hearing of that application clearly demonstrated that an emergency existed which required immediate action and that the necessity of awaiting a valuation was not apparent, as applicant was not asking for the establishment of rates that would pay a return upon investment.

There can be no question as to the insufficiency of applicant's income, and this feature will be passed without further comment.

Much stress is laid by applicant on the fact that proposed increases will place its rates on a level with those of the federal controlled roads; that before the last change on the part of the Federal Railroad Administration the oil rates between common points were equal, but now that the rates of the government roads have been further increased the maintenance of a lower basis by applicant will lead to confusion and discrimination and have the effect of forcing a competitive relationship in the rates of the two classes of carriers; furthermore, that joint rates between applicant and federal controlled roads are now on the higher basis. While uniformity of rates as between federal and nonfederal controlled lines is greatly to be desired, this reason alone would not justify the granting of the application.

As heretofore stated, the petroleum and petroleum products rates of federal controlled railroads were increased 25 per cent, effective June 25, 1918. On July 11, 1918, Director Division of Traffic issued Freight Rate Authority No. 96, which canceled the rates of June 25, 1918, and provided for a flat increase of 4½ cents per 100 pounds higher than rates in effect May 25, 1918, but not in excess of the fifth class

rates as advanced June 25, 1918. This caused an increase where the base rate on June 25, 1918, was 16 cents per 100 pounds and under and a reduction where it was 19 cents or higher. While the tonnage movement over the federal roads, segregated with respect to rate, is not a matter of record it is fair to assume that the advances and reductions would result in somewhat of an equalization of revenue when applied to the petroleum traffic as a whole. Such, however, is not true in the present case of the Pacific Electric, where with but few exceptions the volume of the rates is such that the addition of the flat amount results in an increase over the present figures. Moreover, the average length of haul of the federal roads, many of which traverse several states, is necessarily much greater than that of applicant, whose rails reach only four counties of this state. Consequently, the average rate is greater over the federal controlled roads and, therefore, better able to stand a flat increase.

It is also urged by applicant that the existing petroleum rates are unduly depressed owing to the influence of pipe line competition and other conditions affecting the transportation of such commodity, but nothing substantial was submitted in confirmation of such contention and no attempt was made to prove the present rates noncompensatory, applicant apparently relying on the difference existing between its rates and those of federal controlled lines and that this variance in rates would not be present under the adjustment proposed.

A mere statement that rates are too low, unaccompanied by competent evidence in support of such declaration, will not suffice. Section 63 of the Public Utilities Act of this state provides, in substance, that no increases in rates may be made except upon a showing before the Commission and a finding by the Commission that such increase is justified. The burden resting upon applicant under this section of the act to justify the increase proposed is a positive requirement of law which can not be satisfied by a mere perfunctory showing. On the contrary, applicant must not only show by evidence of probative value that the existing rates are unreasonably low, but must demonstrate the propriety and reasonableness of those proposed before this Commission can make a finding such as prescribed by the statute.

When the general 25 per cent increase was granted applicant June 25, 1918, this formality was waived in consideration of the emergency caused by the war, not only that applicant might, to the extent of such advance, be relieved from the extraordinary operating expenses consequent upon war conditions, but that by so doing the rate parity thus created would permit the competing federal roads to secure the full amount of the increase established by the Railroad Administration, thereby enabling such roads to more efficiently discharge their impor-

tant function in the prosecution of the great task in which this country was engaged. Under prevailing conditions, the same elements of consideration do not enter into the present case, for which reason the lawful requirements should be fully complied with.

It may well be that some of the oil rates are below the normal scale and should, upon proper showing, be increased. Conversely, there may be rates already above the normal plane which if further advanced, as contemplated under the application, would cause an injustice. This was practically admitted by witness for applicant, who stated that the 90-cent advance would in some instances bring about inequality of rates. In this connection, particular attention was drawn by applicant to rate of 50 cents per ton on petroleum and its products, carloads, from El Segundo and Oleo to Los Angeles, and the statement made that the rate is so low it fails to assume its proper proportion of the burden of carrying traffic.

In comparing this rate with others shown on applicant's exhibit, it is found that the distance from El Segundo to Los Angeles is 17 miles, the rate for crude oil and articles taking same rate, carloads, 50 cents per ton, while from Los Angeles to Santa Monica, 16 miles, the rate is \$1 per ton. From Oleo to Los Angeles, 25 miles (also El Segundo), rate is 50 cents per ton, while from El Segundo to Santa Monica, 24 miles, rate of \$1.40 per ton applies.

The record, however, is devoid of any effort on the part of applicant to show the unreasonableness of the present rates and the fairness of those proposed.

In view of this insufficient showing, it is unnecessary to discuss at length the testimony introduced in behalf of the various protestants, which in general was directed to the point that the present rates are in some instances discriminatory and excessive by comparison and that the advances contemplated under application would so increase the costs of operation as to seriously retard their future progress or force them to haul their products by auto trucks.

Upon a careful consideration of the evidence submitted, it is our opinion that applicant has failed to make the necessary showing required under section 63 of the Public Utilities Act and the application should be denied without prejudice.

The following form of order is submitted:

#### ORDER.

The Pacific Electric Railway Company having applied under section 63 of the Public Utilities Act for permission to increase certain rates for the transportation of petroleum and its products, as set forth in the opinion which precedes this order, a public hearing having been held, and the Railroad Commission being fully apprised in the premises;



*It is hereby ordered*, that the application be, and the same is hereby, denied without prejudice.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-eighth day of November, 1919.

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DECISION No. 6886.

WEED LUMBER COMPANY, A CORPORATION,

*vs.*

SOUTHERN PACIFIC COMPANY, WILLIAM G. McADOO, DIRECTOR-GENERAL OF RAILROADS.

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Case No. 1284.

Decided November 28, 1919.

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*A. Larsson*, for Complainant.

*Frank B. Austin* and *H. W. Klein*, for Defendant.

*LOVELAND*, Commissioner.

**OPINION.**

Complainant is a corporation engaged in the lumber business at Weed, California. By complaint, seasonably filed, it alleges that defendant's charges on 10 carloads of old rails shipped from Grass Lake and Murphy, California, to Mount Hebron, California, during November and December, 1916, were unjust and unreasonable. The shipments consisted of 5 cars from Grass Lake on November 29, 1916, and a like number from Murphy on December 6, 1916. In each instance rate of 20 cents per 100 pounds was assessed.

Effective February 26, 1917, rate of 10½ cents per 100 pounds was published between the points in question. Reparation is asked on basis of the difference between the charges assessed and those that would accrue by use of the 10½-cent rate subsequently published, or such other rate as may be found proper.

An exhibit was filed on behalf of complainant showing commodity rates between points in the same territory as that embraced in this proceeding and in other districts, some of which were lower than rate of 10½ cents published by defendant, but the evidence of record does not warrant a finding that such rates were fair and a proper measure for the rate between the points in dispute.

The rate of 10½ cents was voluntarily established by defendant pursuant to request of the Weed Lumber Company for rate on this commodity lower than the then existing class rate and the presumption attaches that defendant considered it reasonable and compensatory at the time.

Taking into consideration the testimony and exhibit submitted, I am of the opinion and hereby find as a fact that the rate charged on the shipments in question was unreasonable to the extent that it exceeded 10½ cents per 100 pounds, minimum 40,000 pounds.

No order for the future may be made, as the defendant carrier is now under federal control and certain rate increases have been established by authority of the Director General of Railroads, as result of which the rate 10½ cents, on which reparation is predicated, no longer exists.

I further find that complainant made the shipments as described, paid and bore the charges thereon and has been damaged to the extent of the difference between the freight charges paid and those that would have accrued under the rate herein found reasonable, and that it is entitled to reparation refund in the amount of \$368.52, with interest at rate of 7 per cent per annum.

The following form of order is submitted:

#### ORDER.

Complaint and answer having been filed in the above entitled proceeding, a public hearing having been held, the Commission being fully apprised in the premises, and basing its order on the finding of fact which appears in the foregoing opinion;

*It is hereby ordered*, that the Southern Pacific Company be, and the same is hereby, authorized and directed to pay unto complainant, Weed Lumber Company, on or before January 20, 1920, the sum of \$368.52, with interest thereon at the rate of 7 per cent per annum from date of collection, as reparation, on account of unreasonable charges exacted for the transportation of 10 cars of old rails from Grass Lake and Murphy, California, to Mount Hebron, California, more particularly described in Exhibit "A" attached to and made a part of complaint.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-eighth day of November, 1919.

## DECISION NO. 6896.

IN THE MATTER OF THE APPLICATION OF EMPIRE TELEPHONE COMPANY, A CORPORATION, AND THE PACIFIC TELEPHONE AND TELEGRAPH COMPANY, FOR AN ORDER AUTHORIZING EMPIRE TELEPHONE COMPANY TO SELL TO THE PACIFIC TELEPHONE AND TELEGRAPH COMPANY ALL OF ITS TELEPHONE PROPERTY IN AND ADJACENT TO EMPIRE, STANISLAUS COUNTY, CALIFORNIA, AND THE PACIFIC TELEPHONE AND TELEGRAPH COMPANY TO PURCHASE AND ACQUIRE THE SAME.

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Application No. 5095.

Decided November 28, 1919.

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**SECURITIES—ISSUANCE OF WITHOUT AUTHORIZATION.**—A public utility that has issued stock and notes without first securing proper authorization therefor, must immediately, upon attention being called thereto, take proper steps to legalize its actions, or it is incumbent upon the Commission to enforce the penalties provided by law for such violations.

**TRANSFERS—ILLEGAL SECURITY ISSUES BAR TO.**—The Commission can not authorize the transfer of public utility property when the utility proposed to be transferred has outstanding securities issued in violation of the provisions of the Public Utilities Act.

Transfer of properties of Empire company to the Pacific company for the sum of \$5,400 authorized conditionally.

*W. J. Brown*, for Empire Telephone Company.

*James T. Shaw*, for Pacific Telephone and Telegraph Company.

*MARTIN, Commissioner.*

**OPINION.**

This is an application by the Empire Telephone Company for authority to sell to The Pacific Telephone and Telegraph Company and of the latter to purchase the telephone system of the former, serving the unincorporated town of Empire and vicinity, in Stanislaus County, for the agreed price of \$5,400.

The Empire Telephone Company, hereinafter referred to as the Empire company, was incorporated on January 18, 1913, under the laws of the State of California, with a capital stock of \$14,000, divided into 400 shares of the par value of \$35 per share.

On November 10, 1913, the Empire company filed a petition, Application No. 823, for a certificate of public convenience and necessity for permission to transact a general telephone business in the above territory. At the hearing held in that petition on December 4, 1913, at Empire, The Pacific Telephone and Telegraph Company, hereinafter referred to as the Pacific company, objected to the extent of the territory which the Empire company desired to serve. It was shown that the certificate, if granted, would permit the Empire company to encroach upon certain territory already served by the Pacific company. It was stipulated in that proceeding (page 80, Transcript of Record,

herein quoted) that, in view of the above objections, the Empire company would confine its territory to limits which would be mutually agreeable:

COMMISSIONER GORDON: \* \* \* Now do I understand that the attorneys on both sides have agreed to stipulate that the present application will be withdrawn, that they will get together now upon an agreement on a certain prescribed territory as outlined on this map, *with a view to putting in a joint application to the Commission, the one to withdraw and the other to serve this territory?*

MR. SHAW: I do, sir.

MR. DENNETT: That is the understanding.

This stipulation resulted in the dismissal, upon request of the Empire company, of Application No. 823, in Decision No. 1119, on December 6, 1913.

The present proceeding herein, Application No. 5095, is the direct result of the above stipulation.

During the early part of the year 1915, it was disclosed by the Commission that the Empire company had issued a number of shares of stock without first securing the necessary authority of the Railroad Commission as provided in section 52 of the Public Utilities Act. This disclosure finally resulted in an application being filed by that company on January 24, 1916, assigned number 2058, in which authority was sought to issue a certain number of shares of its capital (common) stock in lieu of those heretofore unlawfully issued. I wish to quote a portion of said petition:

**That the cost and expense of erecting and installing said system and the cost of the materials used for said purpose was defrayed by the payment of the sum of \$35 by each of thirty-eight persons with the understanding that each of said persons so contributing said sum should be a stockholder of said corporation, and certificates were accordingly issued to each of said persons so contributing said sum, but as said stock was not issued in accordance with the requirements of the laws of the State of California, in that relation, said applicant now asks permission to issue to said persons each one share of common stock of said corporation of the par value of \$35.**

At the hearing on said petition, other matters were brought to light which should have had the Commission's sanction, and accordingly the Empire company requested a dismissal in order that a new application might be filed embodying all matters discussed at said hearing. Application No. 2058 was dismissed on February 21, 1916, in Decision No. 3110.

No further petition has been presented to the Commission by the Empire company for the sole purpose of straightening out its violations of the provisions of the Public Utilities Act.

The reason assigned for the present transfer is the desire to retire from the telephone business. The Pacific company proposes to operate the plant in connection with and as part of its system.

The applicants, according to the petition, have made an appraisal of the property to be transferred, and, based on said appraisal, estimate that the cost of construction thereof as of December 31, 1917, was the

sum of \$6,883.78, and that cost of construction less deterioration, as of the same date, was the sum of \$5,449.20. The appraisement was not offered in evidence. The Commission's engineers have not checked the estimate nor appraised the property as it is not necessary in this proceeding.

A public hearing was held at Empire on November 7, 1919. No one opposed this proposed transfer.

The Commission called to applicant's attention the fact that a certain proportion of the investment in this plant, sought to be transferred, is represented by money secured through the sale of stock illegally issued; also it was testified that certain notes have been issued and renewed without the sanction of this Commission. The proceeds from the issuance of these notes have also been used to provide part of the construction of this plant.

The officers of the Empire company have testified in former proceedings, *supra*, that the above violations have not been intentional. It is not the purpose of the Commission at this time to unduly delay this transfer for the reason that the public convenience and necessity is the paramount issue. The question of the Empire company appearing before the Commission with "clean hands" can be disposed of by a supplemental order in this proceeding. It is the position of the Pacific company, as testified to at the hearing, that these negotiations are based on the assumption that the Empire company can convey a good title and that it will obviously protect itself in seeing that a good title is conveyed.

Prompt action must be taken by the Empire company to clear up these violations, otherwise it will be incumbent upon this Commission to enforce the penalties as provided in the Public Utilities Act.

The Empire company is furnishing exchange and toll service, said exchange service being furnished by means of a switchboard located in Empire, and the said toll service being furnished by means of a connection with the Pacific company's toll lines. If this transfer is granted, the Pacific company asks authority to remove the present rate inconsistencies and to place in effect its standard minimum exchange rate schedule for the service and conditions thereafter pertaining, and the standard toll rates now in effect throughout the State of California under authority of General Order No. 57 of the Railroad Commission.

The station development, as of November 1, 1919, for the Empire company, as shown in Exhibit No. 3 of the Pacific company, is as follows:

Class of service	Number	Monthly rate
Individual business .....	9	\$2 00
Party line residence .....	52	1 50
Total .....	61	

A comparison of the present and proposed exchange rates is shown in Exhibit No. 4 of the Pacific company:

Class of service	Rate per month			
	Present		Proposed	
	Wall	Desk	Wall	Desk
<b>Business—unlimited service—</b>				
Individual line .....	\$2 00	\$2 00	\$2 50	\$2 75
Two-party line .....			2 00	2 25
Party line .....	1 50	1 50		
Suburban .....			3 50	3 75
Extension .....			1 00	1 00
Farmer line .....			*6 00	
<b>Residence—unlimited service—</b>				
Individual line .....	2 00	2 00	2 00	2 25
Two-party line .....			1 75	2 00
Four-party line .....			1 50	1 75
Party line .....	1 50	1 50		
Suburban .....			3 00	3 25
Extension .....			50	75
			65	1 00
Farmer line .....			*3 00	

\*Per year.

The revenues and expenses for the year 1920 for the Empire exchange, under the proposed conditions, is estimated by the Pacific company in its Exhibit No. 5 as follows:

Exchange service revenue.....	\$2,500 00
Toll service revenue.....	260 00
Miscellaneous operating revenue.....	15 00
Licensee revenue, dr. ....	*120 00
<b>Total .....</b>	<b>\$2,655 00</b>
Ordinary repairs .....	350 00
Station removals and changes.....	150 00
Depreciation .....	700 00
<b>Total maintenance .....</b>	<b>\$1,200 00</b>
Traffic expense and commercial expense.....	1,000 00
General expense .....	85 00
Uncollectible expense .....	15 00
Taxes .....	140 00
Rent deductions—telephone office.....	300 00
Rent deductions—C. P. and C. S. ....	
<b>Total .....</b>	<b>\$2,740 00</b>
<b>Balance net revenue.....</b>	<b>†85 00</b>

\*Deduction.

†Debit.

#### ORDER.

The Empire Telephone Company, a corporation, and The Pacific Telephone and Telegraph Company having applied for an order authorizing Empire Telephone Company to sell to The Pacific Telephone and Telegraph Company all of its telephone property in and adjacent to Empire, Stanislaus County, California, and The Pacific

Telephone and Telegraph Company to purchase and acquire the same, and a public hearing having been held thereon;

*It is hereby ordered*, that the Empire Telephone Company be and it is hereby authorized to sell, and The Pacific Telephone and Telegraph Company be and it is hereby authorized to purchase for the sum of \$5,400, all of the property comprising the telephone system owned and operated by said Empire Telephone Company in and about the town of Empire, Stanislaus County, and any and all of its permits, privileges or franchises to use the streets, alleys and highways for its purposes.

The authority hereby granted is upon the following conditions and not otherwise, to wit:

1. The authority hereby granted shall not be considered before this Commission or any other tribunal as determining the value of the said property for the purpose of fixing rates or for any other purpose than that of the present application.

2. The Pacific Telephone and Telegraph Company is hereby authorized to make effective the rates, rules and regulations heretofore filed by said company with the Railroad Commission in this proceeding, until the further order of the Railroad Commission, provided that the conditions herein set forth shall have been complied with.

3. The Pacific Telephone and Telegraph Company is hereby authorized to make effective its standard toll rates now in effect generally throughout the State of California under authority of the Railroad Commission's General Order No. 57, which order, in so far as applicable, is made a part of this order.

4. The authority herein granted shall not become effective until The Pacific Telephone and Telegraph Company shall first have filed with the Railroad Commission a stipulation duly authorized by its board of directors declaring that The Pacific Telephone and Telegraph Company, its successors and assigns, will never claim before the Railroad Commission or any court or other public body a value for the rights, permits, privileges and franchises to use the streets, alleys and highways in and around the town of Empire, whether claimed under permit issued to the Empire Telephone Company by the board of supervisors of Stanislaus County or claimed under section 536 of the Civil Code of California, or otherwise, in excess of the actual cost to the Empire Telephone Company of acquiring said rights, permits, privileges and franchises, which said cost is to be stated in said stipulation; nor until The Pacific Telephone and Telegraph Company shall have received from the Railroad Commission a supplemental order declaring that such stipulation, in form satisfactory to the Railroad Commission, has been filed with the Railroad Commission.

5. The authority herein granted shall not become effective until the Empire Telephone Company shall first have filed with the Railroad

Commission a supplemental application in this proceeding, specifically setting forth its violations of the provisions of section 52 of the Public Utilities Act, and asking that the Railroad Commission authorize the issuance of shares of stock and notes in lieu of the shares of stock and notes heretofore unlawfully issued; nor until the Empire Telephone Company shall have received from the Railroad Commission a supplemental order approving the said issue.

6. The authority hereby granted shall apply only to such property as shall have been hereafter conveyed on or before December 31, 1919.

7. Within ten days after receiving conveyance of said property, The Pacific Telephone and Telegraph Company shall file with the Railroad Commission a copy of said deed, together with a statement of the consideration actually paid by it for the property and rights conveyed to it.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-eighth day of November, 1919.

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#### DECISION No. 6900.

IN THE MATTER OF THE APPLICATION OF HIGHWAY TRANSPORT COMPANY FOR CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY TO OPERATE FREIGHT SERVICE BETWEEN SAN FRANCISCO AND SAN JOSE AND INTERMEDIATE POINTS.

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#### Application No. 4894.

Decided December 5, 1919.

**CERTIFICATES—AUTO TRUCK LINES—PUBLIC NECESSITY FOR.**—The mere desire of an applicant to enter the field as a common carrier of freight or passengers is not sufficient or a conclusive showing that public necessity warrants such additional service. Applicant is burdened with showing that the existing facilities are inadequate to care for all business offered and that there is a public demand for the service which he proposes to give.

Application denied.

*Chas. K. Harper*, for Applicant.

*John A. Percy*, for San Francisco and San Jose Transportation Company, Protestant.

*C. S. McLenegan*, for S. B. McLenegan and Son and Gibson's Express, Protestants.

*F. B. Austin*, *Harry T. Hennessy* and *H. W. Cline*, for United States Railroad Administration; Southern Pacific Railroad, Protestant.

*Harry T. Hennessy*, for American Railway Express, Protestant.

BY THE COMMISSION.

#### ORDER.

Highway Transport Company, a corporation, has petitioned the Railroad Commission for an order declaring that public convenience and necessity require the operation by it of an automobile truck line as a



common carrier of freight between San Francisco and San Jose and intermediate points.

Public hearings were conducted by Examiner Handford at San Francisco on September 20 and December 1, 1919, the matter was duly submitted, and is now ready for decision.

Applicant proposes to charge rates in accordance with a schedule filed at one of the hearings on this proceeding and to operate on a schedule of one round trip daily, except Sundays and holidays, serving as intermediates the communities at Daly City, Colma, South San Francisco, Baden, San Bruno, Millbrae, Burlingame, San Mateo, San Carlos, Redwood City, Menlo Park, Palo Alto, Mayfield, Mountain View, Sunnyvale, Santa Clara, Bay Shore and Visitacion; using as equipment four Fageol trucks, three of 3½-ton capacity, one of 2-ton capacity; four trailers and two Ford trucks used for pick-up and delivery work.

Applicant commenced business on September 14, 1918, as a contract carrier on the route between San Francisco and San Jose, and now desires the authority of the Railroad Commission to enter the transportation field as a common carrier. Applicant claims to have originally had about one hundred contract shippers and that its books now reflect business with from five to six hundred shippers and consignees. It is stated that there is a demand from the public, other than the parties with whom applicant has done business as a contract carrier, for opportunity to ship via the facilities offered by applicant and that there is an average of thirty inquiries per month from parties desiring service. At the hearings on this application there was no testimony offered in support of the application other than that of one of the officials of the applicant company, and the alleged desire of the public for the character of transportation proposed by the applicant was not substantiated by any testimony.

This application is opposed by the United States Railroad Administration on behalf of its lessors, the Southern Pacific Railroad and American Railway Express; by the San Francisco and San Jose Transportation Company; by S. B. McLenegan and Son; and by Gibson's Express.

The Southern Pacific Railroad offers a daily, except Sunday, service to the points proposed to be served by applicant; shipments delivered to San Francisco prior to the hour of closing the receiving sheds, 5 p.m., being delivered in San Jose on the following morning. The rates of the Southern Pacific Railroad are as follows, expressed in cents per hundred pounds:

Class -----	1	2	3	4	5	A	B	O	D.&E.
Rate -----	25	21	17½	15	11	12½	9	7½	6½

The American Railway Express offers facilities for transportation on seven trains each way via the Coast Division of the Southern Pacific Railroad and as regards shipments to San Jose by four trains each way via Oakland. A pick-up and delivery service is also maintained. The rates of the American Railway Express are as follows:

	Classes		Special commodity (per cwt.)
	First (per cwt.)	Second (per cwt.)	
Between San Francisco and points south of Redwood City -----	88¢	66¢	64¢
Between San Francisco and Redwood City, inclusive -----	77¢	58¢	56¢

Both the Southern Pacific Railroad and the American Railway Express have ample facilities alleged to be adequate to take care of all business that may be offered between the points for which applicant desires certificate.

Protestants, San Francisco and San Jose Transportation Company, S. B. McLenegan and Son, and Gibson's Express, each operate motor freight and express service between San Francisco and San Jose, serving as intermediates the same communities as proposed by applicant.

There has been no evidence in this proceeding which indicates that the facilities of the existing authorized transportation companies, both rail and motor, are unable to satisfactorily meet the demands of the public in the matter of transportation as a common carrier between San Francisco and San Jose and points intermediate to such termini. The testimony in behalf of applicant company indicates a desire to enter the transportation field as a common carrier instead of continuing the business under the guise of a contract carrier, and as the Railroad Commission has repeatedly held in its decisions on applications for certificates of public convenience and necessity the desire of an applicant to enter the business of a transportation company as defined by section 1 of chapter 213, Statutes of 1917, is not a measure of public convenience and necessity nor an affirmative showing that the public convenience and necessity require additional service.

Applicant will be required to immediately file with this Commission its rates for transportation as a contract carrier together with copies of all contracts under which such contract carriage is being conducted, and the application for certificate of public convenience and necessity to operate as a common carrier will be denied.

*The Railroad Commission hereby declares*, that public convenience and necessity do not require the operation by Highway Transport Com-

pany, a corporation, of an automobile truck line as a common carrier of freight between San Francisco and San Jose and intermediate points; and

*It is hereby ordered,* that this application be and the same hereby is denied.

Dated at San Francisco, California, this fifth day of December, 1919.

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DECISION No. 6901.

IN THE MATTER OF THE APPLICATION OF NERI T. HOXIE FOR A CERTIFICATE DECLARING THAT THE PUBLIC CONVENIENCE AND NECESSITY REQUIRE A PASSENGER AND BAGGAGE AUTOMOBILE STAGE AND TRANSPORTATION LINE, BETWEEN OCEANSIDE, CALIFORNIA, AND LOS ANGELES, CALIFORNIA, VIA COAST HIGHWAY AND BOULEVARD, AND PERMIT TO MAINTAIN AND OPERATE SAME.

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Application No. 4961.

Decided December 5, 1919.

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CERTIFICATES—AUTO STAGE LINES—MAIL CONTRACTS.—The possession of a United States mail carrying contract, imposing specific times of departure, can not be considered as an indication that public convenience requires the operation of such stage line as a common carrier, particularly when existing lines are rendering an adequate service at reasonable rates.

Application denied.

*Malcolm and Turrentine*, for Applicant.

*Harry T. Hennessy*, for United States Railroad Administration, Southern Pacific Railroad, Protestant.

*T. Morgan*, for United Stages, Protestant.

*M. W. Reed*, for The Atchison, Topeka and Santa Fe Railroad, Protestant.

*E. S. Good*, for A. R. G. Bus Company, Protestant.

*A. L. Hayes*, for Pickwick Stages, Inc., Protestant.

*W. H. Powell*, for White Bus Line, Protestant.

BY THE COMMISSION.

**ORDER.**

Neri T. Hoxie has petitioned the Railroad Commission for an order declaring that public convenience and necessity require the operation by him of an automobile stage line as a common carrier of passengers and baggage between Los Angeles and Oceanside.

Public hearings were conducted by Examiner Handford at Los Angeles on October 13 and November 19, 1919, the matter was duly submitted, and is now ready for decision.

Applicant proposes to charge rates in accordance with a schedule marked Exhibit "A" and attached to the application in this proceeding and to operate on a schedule of one round trip daily serving the

terminal points of Los Angeles and Oceanside, no intermediate or local business to be handled.

Applicant is now engaged in the business of operating a stage line between Oceanside and Escondido, and alleges that through service is necessary for the public for the reason that passengers destined Los Angeles have difficulty in procuring transportation between Oceanside and Los Angeles and that the stages operating between San Diego and Los Angeles do not stop at Oceanside for local passengers unless seating capacity is available at the time of passage through Oceanside.

The inland route of the Pickwick Stages, Inc., passes through Oceanside, but applicant claims the proposed route would be thirty miles less than that of the present inland route of the Pickwick Stages.

Witnesses for applicant residing at Escondido and Oceanside testified as to inquiries which were made by prospective passengers desiring transportation by stage from Oceanside and Escondido to Los Angeles, although no testimony was introduced indicating that parties desiring to reach Los Angeles were not able to do so either by stage or by the trains of The Atchison, Topeka and Santa Fe Railroad.

This application is protested by The Atchison, Topeka and Santa Fe Railroad, the A. R. G. Bus Company, the Pickwick Stages, Inc., and the United Stages. The Atchison, Topeka and Santa Fe Railroad operates a service of four round trips per day between Los Angeles and San Diego, serving the station of Oceanside at the same one way fare as proposed by applicant. This protestant claims to have adequate facilities to satisfactorily meet the demands of the public for transportation between these points and at a rate which is considered reasonable.

The A. R. G. Bus Company protest the granting of this application and operate a schedule of six round trips per day between Los Angeles and San Diego serving Oceanside as an intermediate point. An average of nineteen cars each way per day are required to fill this schedule and such cars are being operated with an average of about seven empty seats daily. The Pickwick Stages, Inc., and the United Stages operate a schedule of four round trips daily between Los Angeles and San Diego serving Oceanside as an intermediate point. These protestants filed as an exhibit at the hearing statements showing the passenger traffic for the months of September and October, 1919, and for the period November 1 to November 13, inclusive.

These statements show the following data :

	Cars operated	Available seats	Passengers hailed	Empty seats	Average passengers per car	Percentage seating capacity vacant
September, 1919 .....	530	4,240	3,378	872	6.37	20.57
October, 1919 .....	476	3,808	2,988	820	6.27	21.54
November 1 to 13, 1919, inclusive .....	185	1,480	1,065	425	5.75	39.91

The Pickwick Stages, Inc., also operate a service of one round trip daily via the inland route, Escondido being an intermediate point on such route. The contention of all stage companies appearing as protestants against the granting of this application is that their facilities are ample to care for all the traffic offering between Oceanside and Los Angeles and desiring stage transportation, whether such traffic originates at Oceanside or is that originating at or destined to Escondido via the line between Escondido and Oceanside at present operated by applicant.

The time schedule of the applicant proposes a departure from Los Angeles at 8 a.m. daily and at such time the stages of the A. R. G. Bus Company, United Stages and Pickwick Stages, Inc., are also scheduled to leave Los Angeles, such companies furnishing all cars that may be necessary to care for travel by stage originating at Los Angeles. The Santa Fe Railroad schedules a train leaving Los Angeles at 9.05 a.m., arriving at Oceanside at 11.35 a.m., or ten minutes prior to the arrival of the proposed stage of applicant. Leaving Oceanside applicant proposes a departure at 3.15 p.m. This departure is too late to make connection with the stage lines at present operating which are scheduled to leave Oceanside at 2.25 p.m. The Santa Fe Railroad schedules a train leaving Oceanside at 2.35 p.m. Upon inquiry as to why applicant could not adjust his present schedule leaving Escondido so as to afford a connection at Oceanside with the train of the Santa Fe Railroad or the stage lines of protestants, it appears that the applicant is operating in connection with his stage service a United States mail route which requires a departure from Escondido for Oceanside at 2 p.m.

The possession of a United States mail contract and the necessity for compliance with a time of departure, as imposed by such contract, is not an indication that public convenience and necessity require the operation of a stage line as a common carrier under the jurisdiction of this Commission in conformity with the statutory law. The stage lines, protestants in this proceeding, claim to have adequate facilities for the transportation of all passengers desiring to use stage line service between Los Angeles and Oceanside, and applicant herein does not desire other than the through business between such points.

After careful consideration of all the evidence in this proceeding, we are of the opinion that the existing transportation facilities, as provided by the Santa Fe Railroad, United Stages, Pickwick Stages, Inc., and A. R. G. Bus Company, are adequate to satisfactorily meet the demands of the public desiring transportation between Oceanside and Los Angeles and that such transportation facilities are capable of expansion to meet the demands of the public for transportation between these points and that therefore this application should be denied.

*The Railroad Commission hereby declares, that public convenience and necessity do not require the establishment by Neri T. Hoxie of an automobile stage line as a common carrier of passengers and baggage between Los Angeles and Oceanside; and*

*It is hereby ordered, that this application be and the same hereby is denied.*

Dated at San Francisco, California, this fifth day of December, 1919.

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DECISION No. 6902.

IN THE MATTER OF THE APPLICATION OF T. R. REX FOR CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY TO OPERATE AN AUTO TRUCK EXPRESS AND FREIGHT SERVICE BETWEEN YUCAIPA, REDLANDS, SAN BERNARDINO AND COLTON, AND THE CITY OF LOS ANGELES, CALIFORNIA.

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Application No. 4803.

Decided December 5, 1919.

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CERTIFICATES—AUTO TRUCK LINES—RAILROAD SERVICE.—Common carriers by rail that have facilities available but do not exercise them to a degree of efficiency demanded by the public can not expect to prevent competition by auto truck lines that are willing and able to render efficient service at rates equal or lower than existing rates of rail carriers.

Applicant granted certificate.

*Frank T. Bates*, for Applicant.

*M. W. Reed*, for The Atchison, Topeka and Santa Fe Railway Company, Protestant.

*Frank Karr*, by *G. F. Squires*, for Pacific Electric Railway Company, Protestant.

*Harry T. Hennessy*, for United States Railroad Administration; Southern Pacific Railroad, Protestant.

BY THE COMMISSION.

**ORDER.**

T. R. Rex has petitioned the Railroad Commission for an order declaring that public convenience and necessity require the operation by him of an automobile truck line as a common carrier of freight and express between Yucaipa, Redlands, San Bernardino, Colton and Los Angeles.

A public hearing was conducted at Los Angeles by Examiner Handford on November 19, 1919, the matter was duly submitted, and is now ready for decision.

Applicant proposes to charge rates in accordance with a schedule marked Exhibit "A" and filed with the application in this proceeding and to operate on a schedule of one round trip daily, using as equipment three trucks and two trailers; the trucks being two of 2-ton capacity and one of 3½-ton capacity, the trailers being one of 1½-ton and one of 2½-ton capacity.

Applicant relies as justification for the granting of the desired certificate upon the alleged fact that there is no line of motor trucks operating between the points proposed to be served and that his experience of one and one-half years in the motor truck business as a contract carrier leads him to believe that there is a demand for a line over the route as proposed. Applicant does not propose to handle any freight or express locally between Los Angeles and Ontario. Applicant testified that he had received requests for his service from the merchants of Redlands. That in San Bernardino freight shipped from Los Angeles by railroad was not ready for delivery until 9 a.m. or later, and that such delivery time was not satisfactory. Applicant proposes to establish depots at which freight will be picked up and delivered, and a pick-up and delivery service would be established at terminals. Applicant's investigation into the matter of service indicates that the service proposed is desired by the shippers and receivers of freight as an additional facility rather than to eliminate complaints against existing transportation companies.

Witnesses in behalf of applicant testified as to conditions in the orchard country surrounding Redlands and Yucaipa and as to the necessity of motor truck transportation for the movement of crops from the orchards to distributing points. Apples originating in the Yucaipa territory are largely placed in cold storage in Pasadena, Riverside and Los Angeles, in fact at any point where storage facilities are available. Applicant has performed a considerable amount of service on a contract basis during the past two years for the Yucaipa Apple Growers' Association and has rendered satisfactory service. Merchants doing business in Redlands testified as to unsatisfactory conditions existing regarding freight deliveries, claiming that from two to three days were required to get shipments from Los Angeles and that when freight did arrive it could not be secured at the freight station before 9 a.m. The Secretary of the Redlands Chamber of Commerce and the Merchants' Association of Redlands testified as to the general complaints to his office regarding unsatisfactory freight service, merchants in all lines of business voicing complaint. As a result of motor service given during the period when the railroads were inoperative due to labor troubles the merchants are of the opinion that a more satisfactory service can be rendered by the motor trucks than they have heretofore enjoyed by the facilities offered by the rail line.

The granting of the desired certificate is opposed by the United States Railroad Administration on behalf of its lessors, the Southern Pacific Railroad and The Atchison, Topeka and Santa Fe Railway, and by the Pacific Electric Railway Company.

Protestant, The Atchison, Topeka and Santa Fe Railway, claims no car shortage exists as regards local business to points on such line

sought to be served by applicant and that no complaint has been received as to service, facilities or rates.

Protestant, Pacific Electric Railway Company, serves the communities at San Bernardino and Colton, but does not serve the Yucaipa territory nor the community at Redlands. This company claims it is able to properly and satisfactorily serve the territory reached by its lines and that no complaints have been received from the public. Also that rates are reasonable and in some instances are lower than those proposed by applicant.

Protestant, Southern Pacific Railroad, offered in evidence the time schedules of freight trains serving stations located in the communities proposed to be served by applicant, claiming that no car shortage now exists as regards the movement of local shipments from Los Angeles to Redlands or Colton and that satisfactory and adequate service is offered by the use of its facilities.

Applicant proposes to furnish a service which will approximate express transportation at practically freight rates. There can be no question as to the ability of the protestant companies to meet the demand for transportation and as to their possession of facilities to properly and expeditiously handle shipments at point of origin and destination. Terminal delays must occur, else the complaints of receivers of freight would not be before the Commission as testimony in this proceeding. The claims of employees and officials of the railroad lines here appearing as protestants that facilities and service are adequate and satisfactory are not borne out when considered in connection with the testimony of witnesses as to unsatisfactory conditions as regards time of delivery and length of time necessary to transport shipments from point of origin to destination. We are of the opinion that terminal delays are responsible in the majority of instances for the general complaint on the part of shippers and receivers of freight as to difficulty in securing freight after it is delivered to the transportation company. Delay at receiving sheds, in the loading and switching of cars at point of origin and destination, and in delivering merchandise from cars to platform of warehouse for delivery to consignee, all contribute to the general delay, and while the facilities may be present they are not exercised to the degree of efficiency demanded by the public or complaints could not be justly made. There was no evidence in this proceeding indicating satisfaction on the part of the public as to the existing service rendered by the rail carriers. On the contrary witnesses testified as to delays and inconvenience which carriers have ample facilities to correct.

We have carefully considered the evidence in this proceeding and are of the opinion and find as a fact that the public convenience and necessity will be served by the granting of this application.



*The Railroad Commission hereby declares, that public convenience and necessity require the operation by T. R. Rex of an automobile truck line as a common carrier of freight and express between Los Angeles, Colton, San Bernardino, Redlands, and Yucaipa; provided, however, that the authority hereby granted does not authorize the carriage of local freight in the territory intermediate between Los Angeles and Ontario. It is further provided that the rights and privileges herein granted may not be transferred nor assigned unless the written consent of the Railroad Commission to such transfer or assignment has first been procured.*

*It is hereby ordered, that no vehicle may be operated under the authority of this certificate unless such vehicle is owned by the applicant herein or is leased by such applicant under a contract or agreement on a basis satisfactory to the Railroad Commission.*

Dated at San Francisco, California, this fifth day of December, 1919.

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DECISION No. 6904.

IN THE MATTER OF THE APPLICATION OF SAN DIEGO ELECTRIC RAILWAY COMPANY, A CORPORATION, FOR AN INVESTIGATION BY THE RAILROAD COMMISSION OF THE REASONABLENESS OF THE RATES, CHARGES, RULES, REGULATIONS AND PRACTICES OF SAID CORPORATION IN THE CITIES OF SAN DIEGO, NATIONAL CITY AND CHULA VISTA IN SAN DIEGO COUNTY.

Application No. 3808.

IN THE MATTER OF THE APPLICATION OF THE POINT LOMA RAILROAD COMPANY FOR AN INVESTIGATION BY THE RAILROAD COMMISSION AS TO THE REASONABLENESS OF ITS RATES, CHARGES, RULES, REGULATIONS AND PRACTICES IN THE CITY OF SAN DIEGO.

Application No. 3809.

IN THE MATTER OF THE APPLICATION OF THE POINT LOMA RAILROAD COMPANY FOR AUTHORITY TO DISCONTINUE SERVICE AND SUSPEND OPERATION AND TO TAKE UP TRACKS.

Application No. 5008.

IN THE MATTER OF THE APPLICATION OF THE SAN DIEGO ELECTRIC RAILWAY COMPANY FOR AUTHORITY TO DISCONTINUE SERVICE, TO SUSPEND OPERATION AND TO TAKE UP TRACKS OF PART OF ITS SYSTEM.

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Application No. 5009.

Decided December 5, 1919.

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DEVLIN, *Commissioner.*

**FIRST SUPPLEMENTAL ORDER.**

On November 14, 1919, Decision No. 6836, in the above entitled proceedings, this Commission rendered its opinion and order whereby

the San Diego Electric Railway Company was authorized to increase its street car fares by the establishment of an inner and an outer zone in the street car districts of the city of San Diego; also to make proportional increases in the passenger fares at points beyond the street car zones, including joint fares to station located on the Point Loma Railroad.

The San Diego Electric Railway Company now seeks authority to enter into an agreement for the operation of its cars over the rails of the Point Loma Railroad Company upon a basis of ten cents per car mile. In justification of the proposed arrangement it sets forth that a better and more economical service can be furnished the traveling public under one management and control than would be possible were the Point Loma Railroad Company to continue operations as an entirely independent organization. It is also the desire of the company to extend the outer zone of the San Diego Electric from India and Winder streets, the junction with the Point Loma Railroad, to the Marine Base Station, located at Tide street on the Point Loma Railroad. This would give to the territory between India-Winder streets and the Marine Base a 10-cent instead of a 15-cent fare.

The amount to be paid for the use of the Point Loma Railroad has been investigated and is found to be reasonable and it would also appear that the properties can be more economically handled under the adjustment proposed than would result if the two companies were required to maintain separate management and accounts. I am of the opinion that applicant's request is reasonable and should be granted.

*It is hereby ordered*, that the order heretofore made in the above entitled matter on November 14, 1919, is hereby amended to allow the San Diego Electric Railway Company to enter into an agreement with the Point Loma Railroad Company for use of the tracks of that company upon a basis of 10 cents per car mile; also that the San Diego Electric Railway Company is hereby authorized to extend its outer zone fare limits to include the station located on the Point Loma Railroad at Tide street, known as the Marine Base, to which point a one way fare of 10 cents shall be published.

The foregoing supplemental order is hereby approved and ordered filed as the first supplemental order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this fifth day of December, 1919.

## DECISION No. 6905.

IN THE MATTER OF THE APPLICATION OF NOLD TRANSFER AND STORAGE COMPANY, A CORPORATION, FOR PERMISSION TO ISSUE EIGHTEEN THOUSAND DOLLARS OF COMMON CAPITAL STOCK.

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Application No. 5100.

Decided December 5, 1919.

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*M. B. Butler*, for Applicant.

LOVELAND, *Commissioner*.

**OPINION.**

Nold Transfer and Storage Company asks permission to issue at par for cash, \$18,000 of its common capital stock and expend the proceeds for the purposes hereinafter mentioned.

Applicant was incorporated on or about October 18, 1919, with an authorized capital stock of \$50,000, divided into 500 shares of the par value of \$100 each. Its articles of incorporation, a copy of which is attached to the petition, authorize applicant to maintain and carry on generally a transfer and storage business of transferring and storing goods, wares, merchandise and personal property, such as is usually and ordinarily done by transfer and storage companies, including the moving, carriage and storage of household furniture, furnishings and fittings and the acquirement and ownership of all real property and warehouses required in such business.

Each of the incorporators, Edward M. Nold, William H. Nichols, and Horace S. Nichols, have subscribed for \$6,000 of stock at par. Of the proceeds applicant intends to expend \$4,000 to acquire a lot located at the corner of Grove and South Fair Oaks avenues, Pasadena, approximately \$10,000 to construct a two-story fireproof warehouse building 62 feet by 75 feet, with elevator, and about \$4,000 to purchase two motor trucks.

The record shows that William H. Nichols and Edward M. Nold have for years been connected with the Nold Furniture Company of Pasadena. They have caused the Nold Transfer and Storage Company to be organized and intend to conduct the business of that corporation in connection with that of the furniture company and also have it undertake a general warehouse business.

I recommend that this application be granted and herewith submit the following form of order:

**ORDER.**

Nold Transfer and Storage Company having applied to the Railroad Commission for permission to issue \$18,000 of its common capital stock, a public hearing having been held, and it appearing to the Railroad

Commission that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose or purposes specified in this order, and that the expenditure for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income;

*It is hereby ordered*, that Nold Transfer and Storage Company be, and it is hereby, authorized to issue and sell on or before April 1, 1920, for cash, at not less than par, \$18,000 of its common capital stock and use the proceeds for the purpose of acquiring the real estate, and motor trucks, and the construction of the warehouse referred to in paragraph "7" of the petition herein; provided, that applicant will keep such record of the issue and sale of the stock herein authorized and of the disposition of the proceeds as will enable it to file on or before the twenty-fifth day of each month, a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this fifth day of December, 1919.

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DECISION No. 6906.

IN THE MATTER OF THE APPLICATION OF MOUNTAIN SPRINGS WATER COMPANY, A CORPORATION, FOR AN ORDER AUTHORIZING IT TO DISCONTINUE ITS SERVICE AS A PUBLIC UTILITY.

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Application No. 5147.

Decided December 5, 1919.

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BY THE COMMISSION.

**OPINION.**

Applicant in the above entitled matter is a public utility water company engaged in the business of supplying water for irrigation and stock purposes to some thirty consumers in the vicinity of Maricopa, Kern County, California, and has made application for authority to discontinue such service, alleging that the water developed and served by this system is very hard and alkaline, and unfit for human consumption, and that the distribution system is in a condition of disrepair. Applicant further states that provision has been made whereby all present consumers of Mountain Springs Water Company may secure an ample water supply from other sources, and signed statements are filed and attached to the application herein as exhibits, signifying the

willingness and ability of certain other public utility water companies to serve these consumers.

In view of all of the allegations contained in the petition herein, it appears that no hearing is necessary in this matter, and that public convenience and necessity will best be served by the granting of the above entitled application on the terms and conditions of the following order, and not otherwise:

**ORDER.**

Mountain Springs Water Company having made application to the Railroad Commission of the State of California as entitled above, and no good cause appearing to the contrary;

*It is hereby ordered*, that Mountain Springs Water Company be and the same hereby is authorized to discontinue its service as a public utility water company on the following conditions:

(1) Applicant shall file with this Commission a statement releasing it from the service of water, said statement to be signed by all consumers affected by such discontinuance.

(2) Applicant shall not discontinue the service of water to consumers until such time as service is supplied from another source.

(3) Within ten days of the time when service is discontinued as herein authorized, applicant shall file a written statement with this Commission indicating that water service has been discontinued in accordance with the terms of this order.

Dated at San Francisco, California, this fifth day of December, 1919.

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DECISION No. 6914.

IN THE MATTER OF THE APPLICATION OF CROWN TRANSFER AND STORAGE COMPANY FOR AN ORDER AUTHORIZING ISSUE OF STOCK.

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Application No. 4995.

Decided December 9, 1919.

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*Hahn & Hahn*, by *Edward F. Hahn*, for Applicant.

BY THE COMMISSION.

**OPINION.**

Applicant herein requests authority to issue \$30,000 par value of its authorized capital stock of \$50,000 to A. L. Aldridge and B. O. Kendall to acquire the business, leases and property of their partnership conducted under the name of Crown Transfer and Storage Company, and engaged in the business of hauling, transferring and storing personal property, principally household goods.

A public hearing was held by Examiner Westover in Los Angeles.

The business was established by Mr. Aldridge and associates in April, 1914, and operated successfully and profitably. The trial balance as of May 31, 1919, shows a net worth in liquidation of tangible assets of about \$16,764.85. Most of this was acquired by the efforts of the original partners who started the business without capital.

In January, 1919, Mr. Aldridge bought the two-thirds interest of his two partners for \$12,000, and in March, 1919, sold to Mr. Kendell a half interest in the business for \$7,548.75, it being agreed at the time that it should be incorporated and stock issued to Mr. Aldridge and Mr. Kendell as partners in equal proportions. The parties appraise their eight trucks and vans at a total present value of \$15,400.

Applicant is operating at the present time two storage warehouses, one a one-story brick building 50 feet by 150 feet rented at \$40 per month, and the second a two-story reinforced concrete building, 82 feet by 145 feet. A third warehouse, one-story, fireproof, of brick, tile and steel, 100 feet by 140 feet, is almost ready for occupancy by applicant. The two warehouses last referred to are owned by B. O. Kendell Company, of which Mr. Kendell is the principal stockholder. In lieu of rental the latter company receives for the use of its warehouse all of the storage receipts, which amounted to \$1,148.82 from the time Mr. Kendell purchased an interest in March, 1919, to May 31, 1919. A similar agreement exists as to the use of the new warehouse. Applicant has a contract with the Judson Freight Forwarding Company under which it does a profitable business in receiving, transferring, hauling, storing and forwarding freight. The testimony does not justify the issue of more than \$20,000 par value of stock.

#### ORDER.

The Crown Transfer and Storage Company having applied to the Railroad Commission for authority to issue \$30,000 par value of its common capital stock, a public hearing having been held, and it appearing to the Commission that the property to be procured or paid for by this issue is reasonably required for the purposes specified in this order and that the expenditures for such purposes are not reasonably chargeable in whole or in part to operating expenses or to income;

*It is hereby ordered*, that Crown Transfer and Storage Company be, and it is hereby granted authority to issue \$20,000 par value of its common capital stock in equal parts to A. L. Aldridge and B. O. Kendell for the purpose of acquiring from them the personal property owned and used by them as a partnership, under the name and style of Crown Transfer and Storage Company, which personal property is more fully described in the application on file herein. This authority is granted upon the following conditions:

1. Crown Transfer and Storage Company, the applicant herein, shall assume all of the debts, obligations, contracts and liabilities of said partnership and shall hold said partnership harmless from any claim or liability, connected with or arising out of said debts, obligations, contracts or liabilities.

2. The authority herein contained to issue stock shall not be construed before this Commission or any other public body or tribunal as a measure of value of said property for any purpose other than the transfer of said property under this proceeding.

3. The authority herein granted to issue stock shall apply only to such stock as may be issued within thirty days after date hereof.

4. Within ten days after the issue of the stock herein authorized, the applicant shall file with the Railroad Commission a certified copy of the instrument transferring said property, and make verified report to the Railroad Commission of the issue of said stock in accordance with the Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

Dated at San Francisco, California, this ninth day of December, 1919.

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DECISION No. 6915.

IN THE MATTER OF THE APPLICATION OF COAST VALLEYS GAS AND ELECTRIC COMPANY, A CORPORATION, FOR AN ORDER AUTHORIZING THE ISSUE OF BONDS OF THE FACE VALUE OF \$125,000.

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Application No. 5094.

Decided December 9, 1919.

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*Chickering & Gregory*, by *W. C. Fox*, for Applicant.

*Myrick & Deering* and *James Walter Scott*, for certain bondholders of Monterey and Pacific Grove Railway Company, Protestants.

LOVELAND, *Commissioner*.

**OPINION.**

Coast Valleys Gas and Electric Company asks permission to issue and sell, at not less than 85 per cent of their face value and accrued interest, \$125,000 of its first mortgage 6 per cent forty-year bonds, due March 1, 1952.

II. F. Jackson, president of the company, testified that the company is in need of funds for extending and improving its service, especially in its electrical department. His testimony shows that the company now has a single 60,000-volt transmission line between Salinas and Soledad and a line of 30,000 volts, approximately, between Soledad and King City; that the single line affords no chance for duplication

service to insure against annoyance and interruptions in service at times when it is necessary to take the line out of service or at times when the line breaks down, and that, therefore, it has been decided to duplicate the transmission line and provide for additional service between Salinas and King City. The cost of this additional line, including meters and switching apparatus is estimated at \$90,000. The company has already ordered wire, costing \$28,000, necessary to build the line from Salinas to Soledad.

The moneys from the sale of the bonds remaining after paying for the transmission line referred to, applicant intends to expend for the construction of extensions, additions and betterments made necessary by the normal and ordinary growth of its business. The specific purposes for which applicant will use the remaining proceeds are not disclosed by the record and the order will therefore contain a provision that such remaining proceeds shall be expended only for such purposes as the Railroad Commission may hereafter authorize.

Myrick and Deering and James Walter Scott, who represent certain bondholders of Monterey and Pacific Grove Railway Company, in a protest filed subsequent to the hearing, ask the Commission not to grant the application. On December 2, a stipulation was filed in which it is agreed that the protest is submitted on the same evidence and arguments as were presented in Application No. 4352. It appears that the protest contains no new matter which would cause me to change my views expressed in Decision No. 6324, dated May 12, 1919, Application No. 4352. I still entertain the same opinion as then, namely, that if a creditor of the railway company can establish any claim against Coast Valleys Gas and Electric Company, he will more likely be able to collect such claim if Coast Valleys is given a reasonable opportunity to take on new business, improve its service and keep on functioning. The order herein will provide that all of the proceeds from the sale of the bonds must be used to pay for the construction of extensions, additions and betterments to applicant's properties.

I herewith submit the following form of order:

#### ORDER.

Coast Valleys Gas and Electric Company having applied to the Railroad Commission for permission to issue bonds, a public hearing having been held, and the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose or purposes specified in this order or in amendments thereto, and that the expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income;



*It is hereby ordered*, that Coast Valleys Gas and Electric Company be, and it is hereby, authorized to issue \$125,000 face value of its first mortgage 6 per cent forty-year bonds, due March 1, 1952.

The authority herein granted is upon the following conditions and not otherwise:

1. The bonds herein authorized shall be sold by applicant for not less than 85 per cent of their face value, plus accrued interest.

2. Of the proceeds obtained from the sale of bonds, approximately \$90,000 may be used to pay for the construction of the duplicate transmission line referred to in the foregoing opinion and more particularly described in the testimony herein. The remainder of the proceeds shall be expended only for such purposes as the Railroad Commission may authorize by a supplemental order or orders.

3. Coast Valleys Gas and Electric Company shall keep such record of the issue and sale of the bonds herein authorized and of the disposition of the proceeds as will enable it to file on or before the twenty-fifth day of each month a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

4. The authority herein granted will not become effective until applicant has paid the fee prescribed by the Public Utilities Act.

5. The authority herein granted will apply only to such bonds as may be issued and sold on or before July 1, 1920.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this ninth day of December, 1919.

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DECISION No. 6922.

IN THE MATTER OF THE APPLICATION OF CITIZENS WATER COMPANY OF NILES FOR AN ORDER AUTHORIZING THE PURCHASE OF CERTAIN PIPE LINES, THE IMPROVEMENT OF ITS WATER SYSTEM AND THE ISSUANCE AND SALE OF CERTAIN STOCK TO PAY THEREFOR.

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Application No. 5032.

Decided December 9, 1919.

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*Oliver Ellsworth*, for Applicant.

BY THE COMMISSION.

**OPINION.**

This application, as amended at the hearing, involves the transfer of property, the issue of stock and a five-year note and the execution

of a mortgage to the Bank of Centerville, to secure the payment of the note.

A public hearing was held before Examiner Satterwhite at Niles on November 25.

From the record it appears that J. C. Shinn desires to sell and Citizens Water Company of Niles to purchase all his right, title and interest in and to all pipe lines under the streets or located in the town of Niles and vicinity and running to the town of Decoto, Alameda County, consisting of 2-inch to 3½-inch mains, together with meters and connections, and also the 6-inch wood stave line belonging to said J. C. Shinn in the town of Niles, for a total cost of \$2,800. Citizens Water Company of Niles is now operating this property under a lease executed pursuant to the authority granted in Decision No. 4545, dated August 14, 1917.

After acquiring the properties, to which reference has been made, Citizens Water Company of Niles intends to replace the various pipe lines from Niles to Decoto, a distance of about 15,500 feet, with new 6-inch wood stave pipe and use the pipes which it will acquire from J. C. Shinn for laterals in Decoto. The aggregate cost of the construction work is estimated at \$12,000.

To pay for the properties and for the new construction, Citizens Water Company of Niles asks permission to issue at par \$10,000 of its stock, to borrow from the Bank of Centerville \$5,000 and issue as an evidence of such loan its five-year 6 per cent note secured by mortgage. The proposed mortgage is of the usual form and a copy thereof has been filed with the Commission.

Citizens Water Company of Niles report \$16,510 of stock outstanding. It reports no bonded indebtedness, while its current indebtedness is considerably less than its current assets.

Citizens Water Company of Niles reports that it has sixty-nine written applications for water connections from residents in Decoto. In the petition it asks permission to charge the consumers in Decoto a minimum rate of \$1.50 per month. At the hearing the petition was amended and from the record it appears that Citizens Water Company of Niles will charge its consumers in Decoto the same rate that it is now charging its consumers at Niles and elsewhere. It further appears from the record that the company will later file with the Commission an application for permission to revise its rates.

#### ORDER.

Application having been made to the Railroad Commission for permission to transfer properties, issue stock and note, and execute a

mortgage; a public hearing having been held and the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for by the issue of the stock and the note herein authorized is reasonably required for the purpose or purposes specified in this order, and the expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income;

*It is hereby ordered*, that J. C. Shinn be, and he is hereby, authorized to sell, and Citizens Water Company of Niles is hereby authorized to purchase the properties described in the petition herein at a cost of \$2,800.

*It is hereby further ordered*, that Citizens Water Company of Niles be, and it is hereby, authorized to execute a mortgage substantially in the same form as the mortgage filed with the Railroad Commission in this proceeding on December 5, 1919.

*It is hereby further ordered*, that Citizens Water Company of Niles be, and it is hereby, authorized to issue \$10,000 of its common capital stock and a five-year 6 per cent note for \$5,000.

The authority herein granted is upon the following conditions, and not otherwise:

1. The stock and note herein authorized to be issued shall be sold by Citizens Water Company of Niles for not less than the par value thereof, and the proceeds used to acquire the properties and pay for the construction of the new pipe line and laterals referred to in paragraph "3" of the petition.

2. The price at which Citizens Water Company of Niles is herein authorized to acquire said properties from J. C. Shinn shall not be urged before this Commission, or any other public body, as a finding of value of said properties for rate-fixing or any purpose other than the transfer herein authorized.

3. The approval herein given of said mortgage is for the purpose of this proceeding only and an approval in so far as this Commission has jurisdiction under the terms of the Public Utilities Act and is not intended as an approval of said mortgage as to such other legal requirements to which said mortgage may be subject.

4. Within thirty days after the transfer of the property herein authorized, Citizens Water Company of Niles shall file with the Commission a verified copy of the instrument of conveyance and also advise the Commission of the specific date on which it acquired the properties.

5. Citizens Water Company of Niles shall keep such record of the issue and sale of stock and notes herein authorized and of the disposition of the proceeds as will enable it to file on or before the twenty-fifth

day of each month a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

6. The authority herein granted to issue a note will not become effective until Citizens Water Company of Niles has paid the fee prescribed by the Public Utilities Act.

7. The authority herein granted will apply only to such transfer of properties, issue of stock, note and execution of mortgage as may be effected on or before May 1, 1920.

Dated at San Francisco, California, this ninth day of December, 1919.

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DECISION No. 6926.

IN THE MATTER OF THE APPLICATION OF PACIFIC GAS AND ELECTRIC COMPANY, A CORPORATION, FOR AN ORDER OF THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA FIXING THE RATE AND CHARGE FOR GAS FURNISHED TO THE CITY OF PALO ALTO, A MUNICIPAL CORPORATION.

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Application No. 3300.

Decided December 9, 1919.

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BY THE COMMISSION.

**SUPPLEMENTAL FINDINGS OF FACT.**

The Railroad Commission, in its Decision No. 5440, dated May 28, 1918, in the above entitled proceeding, established a rate to be charged by Pacific Gas and Electric Company for gas furnished to city of Palo Alto, which rate, by agreement between said company and said city, was to apply to all gas delivered from and after October 1, 1917.

The parties hereto have asked the Railroad Commission to adjust a controversy between them as to the measurement of gas supplied and the charge therefor in accordance with the rate established in Decision No. 5440, *supra*, and pending the settlement of this controversy the city of Palo Alto has paid to the Pacific Gas and Electric Company certain sums on account.

The Railroad Commission has investigated all matters involved in the controversy and has heretofore communicated to each of the parties hereto the results of its investigation.

By stipulations duly executed by both city of Palo Alto and Pacific Gas and Electric Company, the parties to the controversy have approved and accepted the results of the Railroad Commission's investigations,

and, having heretofore agreed to accept the findings of the Railroad Commission as a basis of settlement in the controversy between them.

The Railroad Commission of the State of California hereby finds that there is due from city of Palo Alto to Pacific Gas and Electric Company for gas supplied from October 1, 1917, to April 1, 1919, the sum of seven thousand seven hundred ninety-eight and twenty-two one-hundredths dollars (\$7,798.22) in excess of the amount heretofore paid by said city of Palo Alto to Pacific Gas and Electric Company.

Pacific Gas and Electric Company and city of Palo Alto are hereby notified of the above findings of the Railroad Commission of the State of California.

Dated at San Francisco, California, this ninth day of December, 1919.

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DECISION No. 6931.

IN THE MATTER OF THE APPLICATION OF SOUTHERN CALIFORNIA EDISON COMPANY, A CORPORATION, FOR AN ORDER OF THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA, AUTHORIZING IT TO ISSUE, SELL, AND DELIVER TWENTY-FIVE THOUSAND SHARES OF ITS COMMON CAPITAL STOCK OF THE PAR VALUE OF ONE HUNDRED DOLLARS EACH.

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Application No. 4790.

Decided December 9, 1919.

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BY THE COMMISSION.

**THIRD SUPPLEMENTAL ORDER.**

Whereas, the Railroad Commission by Decision No. 6544, dated August 7, 1919, authorized Southern California Edison Company to issue 25,000 shares of its capital stock to its stockholders and the public at not less than ninety dollars per share; and

Whereas, the Railroad Commission by Decision No. 6638, dated September 5, 1919, authorized applicant to sell 298 shares of said 25,000 shares to its officers and department heads, and 4702 shares to its employees, subject to the conditions of said Decision No. 6638, dated September 5, 1919; and

Whereas, applicant reports that it has sold to its employees practically all of the said 4702 shares; and

Whereas, applicant asks authority to reserve, and sell to its employees if possible, 2500 additional shares of the 25,000 shares of stock, covered by Decision No. 6544, dated August 7, 1919, and it appearing to the Commission that applicant's request should be granted; now, therefore,

*It is hereby ordered*, that Southern California Edison Company be, and it is hereby, authorized to sell to its employees 2500 shares of the stock, the issue of which is authorized by Decision No. 6544, dated August 7, 1919, said 2500 shares of stock to be sold for not less than ninety dollars per share and in accordance with the terms of the agreement attached to the First Supplemental Petition in Application No. 4790, and marked Exhibit "A"; provided, that any part of said 2500 shares which applicant is unable to sell to its employees, as herein authorized, it may sell to the public upon the terms set forth in Decision No. 6544, dated August 7, 1919.

*It is hereby further ordered*, that the order in Decision No. 6544, dated August 7, 1919, as amended, shall remain in full force and effect except as modified by this Third Supplemental Order.

Dated at San Francisco, California, this ninth day of December, 1919.

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DECISION No. 6933.

IN THE MATTER OF THE SERVICE OF DE LUXE TRANSPORTATION COMPANY, INCORPORATED, AND THE REVOCATION OF CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY ISSUED TO SAID COMPANY.

Case No. 1382.

IN THE MATTER OF THE APPLICATION FOR RIGHT TO TRANSFER FRANCHISE OF THE DE LUXE TRANSPORTATION COMPANY.

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Application No. 5066.

Decided December 9, 1919.

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**AUTO STAGE SERVICE—DISCONTINUANCE OF—LIABILITIES FOR.**—The Railroad Commission will require automobile transportation companies to fully discharge their obligations to the public in accordance with filed schedules and regulations of the Commission, and the suspension of service without the consent of the Commission will be regarded as a relinquishment of any operative rights conferred by order of the Commission.

De Luxe Transportation Company having suspended service without first securing an order of the Commission permitting such action, its operative rights between Oakland and San Jose and intermediate points are revoked and its tariffs and time schedules filed with the Commission canceled.

*W. M. Rank*, for De Luxe Transportation Company, Incorporated.

*Clarence W. Morris*, for Maurer and Sanford.

*Harry A. Encell*, for Peerless Auto Stage Company.

*John C. Scott, R. Porter Ashe and Edmund Tausky*, for committee of creditors of De Luxe Transportation Company.

*H. H. Gogarty*, for United States Railroad Administration, Southern Pacific Railroad.

BY THE COMMISSION.

**OPINION.**

The above entitled case is a proceeding instituted on the Commission's own motion citing the De Luxe Transportation Company, Incorporated.

porated, to appear and show cause, if any, why an investigation should not be made regarding the alleged discontinuance of service heretofore rendered by said De Luxe Transportation Company, Incorporated, between Oakland and San Jose under the authority granted by the Railroad Commission on August 3, 1918, in Application No. 3841, and March 22, 1919, in Application No. 4382.

R. Porter Ashe, W. A. Sloan and John C. Scott, as a committee representing the creditors of the De Luxe Transportation Company, and J. M. Maurer and W. M. Sanford, have petitioned the Railroad Commission for an order approving the transfer of the operative rights of the De Luxe Transportation Company for the carriage of passengers as a common carrier between Oakland and San Jose, J. M. Maurer and W. M. Sanford to purchase, acquire and hereafter operate passenger service between the above mentioned points at the rates and in accordance with the schedules heretofore filed with the Railroad Commission by said De Luxe Transportation Company.

A public hearing was conducted by Examiner Brookman at San Francisco on November 7, 1919, at which time it was stipulated that the above-entitled matters would be consolidated for hearing. The matters were duly submitted and are now ready for decision.

On October 1, 1919, the Railroad Commission was advised by telephone that no service was being rendered on the schedules of the De Luxe Transportation Company between Oakland and San Jose, and an investigation by the Commission's service department developed that by reason of an attachment having been placed on the property of the De Luxe Transportation Company the equipment was not being operated and the service contemplated by the schedules on file with the Railroad Commission was not available for the public. Efforts were made by the Railroad Commission to have service resumed and to such end the president of the De Luxe Transportation Company and also attorneys representing the principal creditors were interviewed and advised of the necessity for resumption of service. The situation as regards suspension of service was particularly aggravated by reason of labor troubles on the line of the San Francisco-Oakland Terminal Railways and the resumption of service would have been of material advantage to the communities of Oakland, San Leandro, Hayward and intermediate points. The efforts of the Railroad Commission to secure resumption of service informally being of no avail, a citation was issued to show cause why an investigation should not be made and an order be issued revoking or modifying the authority heretofore granted under the orders of the Commission on Applications Nos. 3841 and 4382.

On October 22, 1919, a joint application was filed with the Railroad Commission on behalf of R. Porter Ashe, W. A. Sloan and John C. Scott, as a committee representing the creditors of the De Luxe Transportation Company, and J. M. Maurer and W. M. Sanford as proposed purchasers of the operative rights heretofore held under the authority of the Railroad Commission for passenger service on the route between Oakland and San Jose, such application alleging that the De Luxe Transportation Company had assigned and transferred to said creditors' committee all its property, assets, rights and franchises, and that a bona fide offer of the sum of twenty-five hundred dollars (\$2,500) had been made for the passenger franchise or operative right heretofore granted to the De Luxe Transportation Company by virtue of the certificates of public convenience and necessity issued by the Railroad Commission. At the hearing in the above-entitled proceedings the De Luxe Transportation Company, by its president, joined in the application as a petitioner.

The evidence in this proceeding is conclusive that the De Luxe Transportation Company has not operated any service between Oakland and San Jose and intermediate points since October 1, 1919, that the company is unable to render service by reason of equipment no longer being available, and that the creditors' committee as assignees of the property has no intention of operating the line, although desiring to dispose of the operative right for the carriage of passengers to the applicants, Maurer and Sanford.

We are of the opinion that the obligation to render service to the traveling public desiring stage transportation between Oakland and San Jose under the authority conveyed by the Railroad Commission to the De Luxe Transportation Company has not been complied with, either by the officials of the De Luxe Transportation Company or by the committee representing the creditors, and that the efforts of the Railroad Commission to restore service for the public should have been met with a response resulting in the resumption of service. Equipment could have been procured from other sources or by the lease of cars, and the public, who were entitled to service, could have obtained transportation, particularly when labor troubles had practically eliminated all regular transportation, with the exception of that afforded by the steam railroads, between Hayward, San Leandro, Oakland and intermediate points.

The Railroad Commission expects and will require transportation companies as defined by section 1 of chapter 213, Laws of 1917, as amended by chapter 280, Laws of 1919, to fully discharge their obligations to the public in accordance with schedule filings and other regulations of this Commission, and suspension of service, without the



consent of the Railroad Commission, will be regarded as a relinquishment of any operative rights conferred by order of this Commission.

#### ORDER.

A proceeding having been instituted on the Commission's own motion directing the De Luxe Transportation Company, Incorporated, to appear and show cause why an investigation should not be made regarding the alleged discontinuance of service heretofore rendered by said De Luxe Transportation Company between Oakland and San Jose; an application having been made by R. Porter Ashe, W. A. Sloan and John C. Scott, representing the creditors of the De Luxe Transportation Company, and J. M. Maurer and W. M. Sanford, for an order approving the transfer of the operative rights of the De Luxe Transportation Company for the carriage of passengers as a common carrier between Oakland and San Jose to said Maurer and Sanford; a public hearing having been held at which the two matters were consolidated for the purpose of receiving testimony, the matters having been duly submitted, and the Commission being fully advised and finding as a fact that the rules and regulations of the Railroad Commission regarding observance of schedule filings have not been complied with during the period from October 1 to November 7, 1919, both dates inclusive, by the De Luxe Transportation Company, Incorporated;

*It is hereby ordered*, that the rights and privileges heretofore granted by the Railroad Commission to the De Luxe Transportation Company, Incorporated, in Decision No. 5651 on Application No. 3841, decided August 3, 1918, and in Decision No. 6206 on Application No. 4382, decided March 22, 1919, and covering the operation of a passenger stage line as a common carrier between Oakland and San Jose and intermediate points be and the same hereby are revoked. The tariffs and time schedules of the De Luxe Transportation Company, Incorporated, now on file with the Railroad Commission covering the carriage of passengers between Oakland and San Jose and intermediate points, are hereby ordered canceled.

*It is hereby further ordered*, that the application of R. Porter Ashe, W. A. Sloan and John C. Scott, as a committee representing the creditors of the De Luxe Transportation Company; De Luxe Transportation Company as represented by its president, W. M. Rank; J. M. Maurer and W. M. Sanford for an order approving the transfer of the operative rights of the De Luxe Transportation Company as a common carrier of passengers between Oakland and San Jose and intermediate points, be, and the same hereby is, denied.

Dated at San Francisco, California, this ninth day of December, 1919.

## DECISION No. 6934.

IN THE MATTER OF THE SERVICE OF GAS BY MIDWAY GAS COMPANY, SOUTHERN CALIFORNIA GAS COMPANY, LOS ANGELES GAS AND ELECTRIC CORPORATION AND SOUTHERN COUNTIES GAS COMPANY.

Case No. 1390.

Decided December 11, 1919.

**GAS SERVICE—SHORTAGE OF SUPPLY—PRIORITY OF SERVICE.**—When the total supply of gas is not sufficient to meet all demands for service a priority list must be established, and it is held that domestic and commercial consumers should have preference over industrial users, provided, that industries solely dependent upon gas, that can not use oil or other fuels, should receive service in so far as the supply warrants.

**OIL COMPANIES—NATURAL GAS, PRODUCERS OF—JURISDICTION OVER.**—As there is a question as to the utility status of oil companies producing and selling natural gas wholesale for distribution to the public, a citation is issued making such companies parties to this proceeding for the purpose of determining the Commission's jurisdiction over the gas production division of their business.

Preliminary order made with reference to natural gas production and distribution in Southern California.

*Herbert J. Goudge, Paul Overton and S. W. Guthrie, for the Los Angeles Gas and Electric Corporation.*

*Hunsaker, Britt & Edwards, by Leroy M. Edwards, for Southern Counties Gas Company.*

*Jarcd How, for Midway Gas Company and Southern California Gas Company.*

*Charles S. Burnell, Jess E. Stephens and William P. Mcaley, for the city of Los Angeles.*

*M. Estudillo, for the city of Riverside.*

*Benjamin E. Page, Arthur E. Hurt and Eugene D. Williams, for the Southwestern Shipbuilding Company.*

*S. M. Haskins, for the Los Angeles Shipbuilding and Dry Dock Company.*

*I. G. Lewis, for the Chamber of Commerce of San Pedro, the Chamber of Commerce of Harbor City, and the Chamber of Commerce of Lomita.*

*William W. Phelps, for the city of Hermosa Beach.*

EDGERTON, *Commissioner.*

**OPINION.**

The Railroad Commission instituted this proceeding for the purpose of investigating every phase and angle of gas service in southern California, including Kern, Los Angeles, Orange, San Bernardino and Riverside counties, where natural gas is served directly or as mixed gas for domestic, commercial and industrial purposes.

It was brought to the Commission's attention, through disputes and disagreements between companies and by complaints of industrial consumers regarding discontinuance of gas service, that a serious gas shortage has occurred and that during the coming winter the conditions will probably become still more serious. It appeared to the Commission

that the gas service to the whole of southern California was interconnected and interdependent and that in order to approach the matter intelligently and adequately it was necessary to consider gas service both inside and outside of the various municipalities.

The above-entitled order was therefore instituted by the Commission and the utilities notified to appear on December 3 before the Commission at Los Angeles to show cause, if any they had, why an investigation should not be made and the necessary orders issued covering the disposition of gas.

Hearing in the matter was held on December 3 at Los Angeles.

A comprehensive report covering the general matter of service and the conditions existing, and which might be expected to exist during the coming winter, was submitted by Assistant Chief Engineer Lester S. Ready of the Railroad Commission, and evidence was introduced by Southern California Gas Company, Midway Gas Company and Southern Counties Gas Company.

It appears that there are interconnected gas transmission systems from the five main natural gas producing fields in Kern, Los Angeles and Orange counties, transmitting and distributing gas to over eighty different incorporated cities and towns as well as to domestic and commercial consumers and industries in outlying territory. Natural gas is served directly for industrial and commercial purposes in Kern, Orange, San Bernardino and Riverside counties and in Los Angeles county, except that district including the city of Los Angeles served by the Los Angeles Gas and Electric Corporation and Southern California Gas Company, where mixed gas, approximately 50 per cent artificial and 50 per cent natural, is being distributed.

During the week of November 26 to 30 there was a shortage of supply of gas in the Los Angeles districts due to a large increase in the demand caused by cold weather conditions, and, as a result, the service to domestic and commercial consumers was very unsatisfactory in Long Beach, San Pedro and Wilmington, industries were practically all disconnected and the quality of gas supplied in Los Angeles reduced. Estimates have been submitted by the Commission's engineers to the effect that it will be necessary to discontinue most of the industrial consumers during the winter in order that the quality of gas heretofore supplied to domestic and commercial consumers be continued and that, except in case of failure of transmission facilities, there is sufficient natural gas to continue the former quality of gas in Los Angeles and vicinity for domestic and commercial consumers if the gas is divided between gas companies according to their requirements.

This proceeding was not completed at the hearing held December 3, as it was found that further evidence must be gathered and submitted to the Commission in order that it act advisedly.

However, to avoid a recurrence of the condition of total or partial failure of service which occurred between November 26 and 30, it is necessary that this Commission issue an order determining for the time being the disposition of gas which shall be made.

The design of this order is to assure continuity of supply of domestic and commercial consumers of gas of the same quality as has normally been supplied; and after the needs of these consumers have been cared for, to provide service for industry, giving preference to those industries which are wholly dependent for operation upon gas.

In view of the fact that the total supply of gas is not sufficient to meet all demands, this order sets up priorities for the various classes of service.

This may result in a change in the amount of gas deliveries between the companies, but inasmuch as this is a temporary order to be superseded as soon as possible by an order made after the investigation is completed and the Commission is more fully advised, the intention is to disturb the existing relation of the companies as little as possible.

It appears to me that the general principle that commercial and domestic service should have priority over industrial uses should prevail. There are, however, certain industries on the Southern California Gas Company's and Southern Counties Gas Company's systems which are dependent entirely upon natural gas and can not use oil or other fuels in its place. Full consideration of these consumers' requirements and the question of distribution of gas has not been had. It would appear, however, that these consumers should be continued in so far as possible pending full investigation.

The attorneys for Los Angeles Gas and Electric Corporation urged that the oil companies producing the natural gas sold to transmitting companies were public utilities as to their gas supply and should be made parties to this proceeding and that the Commission consider the possibility of directing the disposition of gas produced by them. The attorneys for Southern California Gas Company and Midway Gas Company and also for Southern Counties Gas Company opposed this proposal on both legal and practical grounds. This is a matter which must have careful consideration before final determination. The facts now in possession of the Commission render it difficult to determine whether such oil companies are public utilities with respect to all their natural gas or with respect to such part thereof as is sold to gas utilities for resale or consumption.

I believe it desirable and necessary that the facts should be further developed before the Commission makes definite pronouncement in this regard. For that reason I recommend that

Standard Oil Company of California,  
Honolulu Consolidated Oil Company,  
Southern Pacific Company,  
Southern Pacific Land Company,  
Union Oil Company of California,  
Dan Murphy and Richard J. Dillon,  
Associated Oil Company,  
G. Allen Hancock, and  
Southern California Edison Company

be made parties to this proceeding and at the hearing that full inquiry be made with a view of determination by this Commission of the status of such oil companies with reference to the jurisdiction of the Commission.

It appears inadvisable, without giving full consideration to the natural gas situation, after final hearing and submission of this proceeding, to make any changes at this time in the quality of gas which has been served in any of the districts. A material variation in the quality of gas served would probably cause unsatisfactory service. The "mixed gas" service of gas by Los Angeles Gas and Electric Corporation and Southern California Gas Company has been of a quality averaging in the past approximately 815 B.t.u. per cubic foot.

The Commission will expect the full co-operation of each of the gas utilities in carrying out the spirit of this order.

#### ORDER.

The Midway Gas Company, Southern California Gas Company, Los Angeles Gas and Electric Corporation and Southern Counties Gas Company, having been directed to appear before the Commission and show cause, if any they have, why an investigation should not be had into the supply and disposition of gas and why the Commission should not make such order or orders in the premises as to the Commission may seem reasonable, a hearing having been held, and it appearing that, due to the urgency of conditions, an immediate order be issued directing the general division of natural gas pending final hearing and decision;

*It is hereby ordered*, effective on and after the twelfth day of December, 1919, as follows:

1. Midway Gas Company shall operate its gas transmission system in the Kern County or Bakersfield district so that domestic and commercial service will be adequate in so far as Midway Gas Company can control the same.

2. Southern Counties Gas Company shall operate its gas transmission system in the Orange County and East Los Angeles County districts so that adequate domestic and commercial service will be rendered.

3. Midway Gas Company, Southern California Gas Company and Southern Counties Gas Company shall continue to distribute natural gas in those parts of their distribution systems which were, on November 15, 1919, supplied with natural gas.

4. The service of "mixed gas" in the city of Los Angeles and vicinity, which was in effect on November 15, 1919, on the systems of Los Angeles Gas and Electric Corporation and Southern California Gas Company, shall be continued.

5. The "mixed gas" supplied by Los Angeles Gas and Electric Corporation and Southern California Gas Company in Los Angeles and vicinity shall contain, under standard conditions of temperature and pressure, a monthly average total heating value of not less than 815 B.t.u. per cubic foot. The determination of the average total heating value shall be in accordance with Rule 22 of General Order 58 of the Railroad Commission of the State of California. The maximum variation from the standard of total average heating value of mixed gas herein established shall at no time exceed 35 B.t.u. per cubic foot above or 55 B.t.u. below said average.

6. Southern California Gas Company shall supply to Southern Counties Gas Company's Long Beach district natural gas sufficient for domestic and commercial service in that district, and Southern Counties Gas Company shall increase the supply to the Los Angeles district for use of its domestic and commercial consumers in Long Beach and vicinity by discontinuing service to industrial consumers in its eastern district as necessity demands.

7. Southern California Gas Company, Southern Counties Gas Company and Los Angeles Gas and Electric Corporation shall make use of their holder capacity in so far as practical to reduce the peak demands for gas from the transmission systems.

8. Natural gas available to Los Angeles district from the Glendale terminal and the Lynwood and Vernon terminals of Midway Gas Company shall be distributed by Midway Gas Company and Southern California Gas Company as follows, in the order of priority as listed:

(a) Requirements of Southern Counties Gas Company's Long Beach district for domestic and commercial purposes; Southern California Gas Company for direct natural gas service where formerly supplied; Southern California Gas Company for mixing purposes sufficient to comply with the requirements set forth hereinabove, based upon artificial gas of not less than 570 B.t.u. per cubic foot; Los Angeles Gas and Electric Corporation for mixing purposes sufficient to comply with the requirements set forth here-

inabove for mixed gas based upon artificial gas of not less than 570 B.t.u. per cubic foot.

(b) Requirements of Class "A" industrial consumers of Southern California Gas Company where gas is essential to operation.

(c) Requirements of Class "B" industrial consumers of Southern California Gas Company where gas is essential to operation.

(d) Requirements of Class "C" industrial consumers of Southern California Gas Company and Southern Counties Gas Company where gas fuel is absolutely essential.

(e) Requirements of Southern California Gas Company for reforming purposes and gas plant use.

(f) Requirements of Los Angeles Gas and Electric Corporation for reforming purposes.

It is further ordered and for the purposes stated in the opinion that

Standard Oil Company of California,  
Honolulu Consolidated Oil Company,  
Southern Pacific Company,  
Southern Pacific Land Company,  
Union Oil Company of California,  
Dan Murphy and Richard J. Dillon,  
Associated Oil Company,  
G. Allen Hancock, and  
Southern California Edison Company,

be and they are hereby made parties to this proceeding.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this eleventh day of December, 1919.

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DECISION No. 6938.

IN THE MATTER OF THE APPLICATION OF PICKWICK STAGES,  
NORTHERN DIVISION, A CORPORATION, FOR ORDER AUTHORIZING  
ISSUE AND SALE OF STOCK.

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Application No. 5156.

Decided December 11, 1919.

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BY THE COMMISSION.

**OPINION.**

Pickwick Stages, Northern Division, asks permission to issue, and sell at par, \$20,000 of its common capital stock and use \$10,000 of the proceeds to pay balances due on automobile equipment and the remaining \$10,000 to purchase additional automobile equipment.

Applicant has an authorized stock issue of \$70,000, of which \$20,000 is now outstanding. In Exhibit "B." attached to the petition, applicant reports for the year ending October 31, 1919, gross earnings from owned and leased cars of \$165,561.65 and "net profits" of \$16,521.02. The "net profits" applicant has allowed to remain in the business and is carrying them on its books as follows:

Collision and maintenance reserve	\$2,300 00
Contingent reserve	2,989 36
Depreciation reserve	6,250 00
Surplus	3,500 00
Written off books	1,481 66

As of October 31, 1919, applicant reports assets and liabilities as follows:

*Assets.*

Fixed assets	\$54,674 33
Automobile	\$45,658 32
Franchises, cost only	3,428 69
Leaseholds	475 00
Furniture and fixtures	916 65
Garage and gasoline station equipment, Los Angeles and San Luis Obispo	1,840 33
Lunch room, furniture and fixtures, Los Angeles	1,455 34
Union State Depot stock	900 00
Current assets	\$9,703 01
Supplies, Los Angeles	\$2,161 30
Prepaid insurance	717 20
Prepaid license	704 92
Garage suspense	1,898 11
Bills receivable	507 44
Collectible accounts	733 17
Ticket report in transit	641 67
Cash on hand	2,339 20
Total assets	\$64,377 34

*Liabilities.*

Capital stock outstanding	\$20,000 00
Deferred liabilities	18,804 27
Auto contracts	\$13,885 89
Bills payable	2,995 70
War tax	1,922 68
Current liabilities	9,130 65
Miscellaneous liabilities	381 61
Depreciation reserve	6,250 00
Collision and maintenance reserve	2,300 00
Special reserve	2,989 36
Tire supplies	1,021 45
Surplus	3,500 00
Total liabilities	\$64,377 34

In an exhibit attached to the petition, applicant reports the value of twenty-one automobiles at \$45,658.32, on which there is due the sum of \$13,885.89. As said, applicant intends to use \$10,000 of the proceeds



obtained from the sale of stock to pay part of the balance due on automobile equipment.

Applicant has not filed with the Commission a list of the equipment it intends hereafter to acquire and the order herein will, therefore, contain a provision that the proceeds from \$10,000 of stock may be expended only for such purposes as the Railroad Commission may hereafter authorize.

#### ORDER.

Pickwick Stages, Northern Division, having applied to the Railroad Commission for permission to issue stock and the Commission being of the opinion that this is not a matter in which a hearing is necessary and that the money, property or labor to be procured or paid for by the issue of \$20,000 of stock is reasonably required for the purpose or purposes specified in this order, or in amendments thereto, and that the expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income;

Now, therefore, *it is hereby ordered*, that Pickwick Stages, Northern Division, be and it is hereby, authorized to issue and sell on or before June 30, 1920, for cash at not less than par, \$20,000 of its common capital stock; provided that \$10,000 of the proceeds be used to pay balances due on automobile equipment referred to in Exhibit "C" attached to the petition herein, and that the remainder of the proceeds be expended only for such purposes as the Railroad Commission may hereafter authorize; and

Provided further, that Pickwick Stages, Northern Division, will keep such record of the issue and sale of the stock herein authorized and of the disposition of the proceeds as will enable it to file on or before the twenty-fifth day of each month a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

Dated at San Francisco, California, this eleventh day of December, 1919.

## DECISION No. 6941.

IN THE MATTER OF THE APPLICATION OF PORT COSTA WATER COMPANY, A CORPORATION, FOR PERMISSION TO BORROW MONEY AND ISSUE ITS PROMISSORY NOTE THEREFOR PAYABLE MORE THAN ONE YEAR AFTER DATE, FROM SAN FRANCISCO SAVINGS AND LOAN SOCIETY, A BANKING CORPORATION; AND TO MAKE, EXECUTE AND DELIVER FOR THE BENEFIT OF SAID BANKING CORPORATION A DEED OF TRUST UPON ITS PROPERTIES, TOGETHER WITH THE PROPERTIES OF PORT COSTA DEVELOPMENT COMPANY, A CORPORATION, AND MT. DIABLO DEVELOPMENT COMPANY, A CORPORATION, SECURING THE PAYMENT OF SAID NOTE.

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Application No. 5145.

Decided December 13, 1919.

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*A. E. Shaw*, for Applicant.

*Goodfellow, Eells, Moore & Orrick*, by *H. Goodfellow*, for San Francisco Savings and Loan Society.

*DEVLIN*, Commissioner.

**OPINION.**

Port Costa Water Company asks permission to join with Port Costa Development Company and Mt. Diablo Development Company in the issue to San Francisco Savings and Loan Society its 6 per cent \$100,000 note, payable July 27, 1923, and in the execution of a deed of trust to secure the payment of the note.

It appears from the record that applicant's present pipe line from Martinez westward is inadequate to convey sufficient water to meet the requirements of the consumers of the towns of Port Costa, Crockett, Tormey and Rodeo, and the industrial and manufacturing concerns situate along the Straits of Carquinez and on the shores of San Pablo Bay receiving water from the company.

Mr. E. H. Shibley testified that the company's pipe line westward from Martinez had deteriorated to such an extent that it was impractical to repair the same and even if the pipe line could be repaired, its capacity was too small. It has therefore been decided to install an entirely new pipe line, consisting of 4000 feet of 18-inch cast iron pipe, 15,000 feet of 16-inch cast iron pipe, and 8400 feet of 12-inch cast iron pipe. The total cost of the pipe, its installation and expenses incidental thereto is estimated at \$133,615. To pay part of this cost, Port Costa Water Company asks permission to join with Port Costa Development Company and Mt. Diablo Development Company in the execution of the \$100,000 note and deed of trust. The entire sum, \$100,000, realized through the issue of the note and execution of the deed of trust will be delivered to the Port Costa Water Company and used by it to pay in part the cost of acquiring and installing the pipe line.

The testimony of Mr. E. H. Shibley further shows that the appraisal of the properties of Port Costa Water Company recently filed with the Commission in connection with a rate proceeding, now pending before the Commission, includes only a nominal sum for the pipe line now in service and which is to be replaced by the new pipe line.

Port Costa Water Company has no bonded indebtedness. Pursuant to Decision No. 4484, dated July 27, 1917, Port Costa Water Company, Port Costa Development Company and Mt. Diablo Development Company issued a \$385,000 6 per cent note, payable July 27, 1923.

The borrowing corporations, it appears, agreed among themselves that each should be liable for the following amounts:

Port Costa Water Company-----	\$201,436 66
Port Costa Development Company-----	94,563 34
Mt. Diablo Development Company-----	89,000 00

The record shows that the Port Costa Water Company has paid \$34,074.43 of its share of indebtedness, leaving \$167,362.13 still due. The other indebtedness of Port Costa Water Company is reported at \$88,758.04, consisting of \$12,250 of notes payable to Bank of California, N. A., \$60,508.04 payable to G. W. McNear, Inc., and \$16,000 to G. W. McNear. Some of this indebtedness represents moneys advanced to build the new pipe line and will be refunded through the issue of the \$100,000 note.

G. W. McNear, president of Port Costa Water Company, testified that the company had never paid any dividends and that all of its surplus earnings had been invested in plant. As of December 31, 1918, the books of the company show a reserve for accrued depreciation of \$12,033.38 and a corporate surplus of \$59,683.43, all of which, according to the testimony, has been used to pay for the construction of improvements, extensions, additions and betterments to the water company's plant.

The record shows that neither Port Costa Development Company nor Mt. Diablo Development Company are engaged in any public utility business, and it is therefore not necessary for them to obtain from this Commission permission to join either in the execution of the deed of trust or the issue of the note.

I herewith submit the following form of order:

#### ORDER.

Port Costa Water Company having applied to the Railroad Commission for permission to issue a note and execute a deed of trust in conjunction with Port Costa Development Company and Mt. Diablo Development Company, a public hearing having been held, and the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required for the

purpose or purposes specified in this order, and that the expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income;

*It is hereby ordered* that Port Costa Water Company be, and it is hereby, authorized to join with Port Costa Development Company and Mt. Diablo Development Company in the execution of a deed of trust substantially in the same form as the deed of trust attached to the petition herein and marked Exhibit "C."

*It is hereby further ordered* that Port Costa Water Company be, and it is hereby, granted authority to join with Port Costa Development Company and Mt. Diablo Development Company in the issue of a note secured by the aforesaid deed of trust for the principal sum of \$100,000, payable on July 27, 1923, with interest at the rate of 6 per cent per annum.

The authority herein granted is upon the following conditions and not otherwise:

1. The note herein authorized shall be issued at such a price as will net applicant not less than the face value thereof and the proceeds shall be used to pay in part for the construction and installation of the pipe line referred to in the petition herein or to pay indebtedness incurred for the purpose of paying for such construction and installation.

2. The approval herein given of said deed of trust is for the purpose of this proceeding only and an approval in so far as this Commission has jurisdiction under the terms of the Public Utilities Act, and is not intended as an approval of said deed of trust as to such other legal requirements to which said deed of trust may be subject.

3. Port Costa Water Company shall keep such record of the issue of the note herein authorized and of the disposition of the proceeds as will enable it to file on or before the twenty-fifth day of each month a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

4. The authority herein granted will not become effective until Port Costa Water Company has paid the fee prescribed in the Public Utilities Act.

5. The authority herein granted will apply only to such note and to such deed of trust as may be issued and executed on or before March 1, 1920.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this thirteenth day of December, 1919.

DECISION No. 6942.

IN THE MATTER OF THE APPLICATION OF SAN JOSE WATER WORKS,  
A CORPORATION, FOR PERMISSION TO SELL STOCK AND PAY  
OUTSTANDING NOTES.

Application No. 5121.

Decided December 13, 1919.

*Joseph R. Ryland*, for Applicant.

DEVLIN, *Commissioner*.

**OPINION.**

San Jose Water Works asks permission to issue, and sell for not less than par, \$180,000 of its common capital stock.

Applicant reports, and the testimony herein shows, that from September 1, 1917, to November 1, 1919, it has installed improvements, additions and betterments to its properties, or acquired properties, the aggregate cost of which is \$209,558.10. This cost is segregated by applicant as follows:

Real estate .....	\$320 00
Water rights .....	1,033 59
Rights of way .....	4,329 38
Building, structures, etc. ....	34,736 92
Pumping equipment .....	19,318 89
Collecting aqueducts, etc. ....	5,206 73
Purification system .....	978 40
Miscellaneous pumping equipment .....	9,185 01
Distribution mains .....	48,446 84
Services .....	12,028 72
Meters .....	57,523 48
General capital .....	16,450 14
<b>Total .....</b>	<b>\$209,558 10</b>

Applicant reports that it has outstanding \$155,000 face value of short term notes, and that all of the moneys obtained through the issue of such notes have been expended to pay for the construction of the improvements, extensions, additions and betterments, to which reference has been made. The difference between the cost of such improvements, extensions, additions and betterments and the face value of the notes, represents payments out of earnings.

Joseph R. Ryland, president of the San Jose Water Works, is of the opinion that applicant will have no difficulty in disposing of all of the stock covered by this application at \$105 per share. He does, however, request that the company be permitted to sell the stock for not less than par. While the order herein will fix the minimum price at which the company may sell the stock, I am satisfied that the officers of the com-

pany will make every effort to obtain the best possible price for the stock.

I herewith submit the following form of order:

**ORDER.**

San Jose Water Works having applied to the Railroad Commission for permission to issue \$180,000 par value of its common capital stock, a public hearing having been held and the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose or purposes specified in this order, and that the expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income;

*It is hereby ordered* that San Jose Water Works be, and it is hereby, granted authority to issue and sell at not less than the par value thereof on or before May 1, 1920, \$180,000 of its common capital stock and use the proceeds obtained through the sale of such stock to pay the \$155,000 face value of notes referred to in the petition herein and to reimburse its treasury to the extent of the difference between the proceeds realized from the sale of the stock and the face value of said \$155,000 of notes; provided that San Jose Water Works will keep such record of the issue and sale of the stock herein authorized and of the disposition of the proceeds as will enable it to file on or before the twenty-fifth day of each month a verified report, as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this thirteenth day of December, 1919.

## DECISION No. 6943.

IN THE MATTER OF THE APPLICATION OF THE EL MODENA DOMESTIC WATER COMPANY FOR AN ORDER AUTHORIZING AN INCREASE OF RATES.

Application No. 4699.

Decided December 17, 1919.

**RATES—WATER—METERED SERVICE.**—The distribution of water under a measured system is favored by the Commission in that it equitably distributes the cost of service and prevents undue waste. An increased schedule of water rates established for the system of applicant; provided, that it proceeds to install meters for all consumers.

*P. G. Drumm*, for Applicant.

BY THE COMMISSION.

**OPINION.**

This is the application of the El Modena Domestic Water Company, furnishing water as a public utility to consumers in and in the vicinity of the town of El Modena, Orange County, for authority to increase its rates.

The application states in effect that the water sold is used by approximately ninety families for domestic and irrigation purposes; that the water is at present being sold under flat rates; that as a result of the absence of meters there is much wastage and unnecessary use of water and its supply is insufficient to give good service under these conditions; that the present rate schedule does not produce sufficient revenue to maintain and operate the system and yield any return upon the issued capital stock or permit of additions or betterments to the system.

Wherefore, applicant desires this Commission to grant an increase in rates, that it may be able to install meters on the service branches and otherwise improve the system.

A public hearing in this proceeding was held at Los Angeles before Examiner Encell.

The El Modena Domestic Water Company was organized under the laws of the State of California on September 3, 1914; shortly afterward it acquired all the property of a mutual association of the same name. A very large portion of the physical property is now over thirty years old and is admittedly in poor condition. The water is obtained from a well and plant belonging to and operated by W. H. Flippen, for the operation of which plant the El Modena Domestic Water Company pays seventy cents per hour. The company owns shares in the John T. Carpenter Water Company, a mutual concern,

and makes use of this asset in times of heavy draft or interruption in the service received from the Flippen plant.

The rates in effect at present, and claimed by applicant to be insufficient, are as follows:

Rate for water for domestic use, flat rate of \$1 per month, payable in advance on the first of the month.

A charge of 5 cents extra per month for each head of stock watered, and 25 cents per month for each lawn or garden.

The rate suggested by applicant is:

A minimum of \$1.25 per month for 600 cubic feet or less of water, payable in advance on or before the fifth day of each month, and 20 cents for each additional 100 cubic feet above 600 cubic feet.

Though notices were distributed to all consumers prior to the hearing, so that all those who were interested might be present and enter any protest against rules, rates, service, or any other pertinent point, no one was present nor was any protest against the proposed increase made. It was established, however, that dissatisfaction with the service existed among the consumers.

The installation of meters on all services will undoubtedly result in improved service throughout the system. This Commission favors a measured service for water sales in order to conserve water and more equitably distribute the cost of service among the consumers.

From the data submitted, it is found that the reasonable maintenance and operation cost per annum is \$900, and the annual depreciation annuity, based on the estimated useful life of each of the depreciable elements of the system and computed by the six per cent sinking fund method, is \$50. Available records and information shows an approximate original cost of \$6,775.

The rate hereinafter set out is designed to produce not only sufficient revenue to cover the above items for maintenance, operation and depreciation annuity, but also a reasonable interest allowance.

#### OPINION.

Application having been made by the El Modena Domestic Water Company, a public utility, for authority to increase the rates charged its consumers, a public hearing having been held and the Commission being fully informed in the matter.

*It is hereby found as a fact*, that the rates now charged by the El Modena Domestic Water Company, in so far as they differ from the rates herein established, are unjust and unreasonable, and that the rates herein established are just and reasonable rates.

*It is further found as a fact*, that the service provided by this utility is inadequate and unsatisfactory.



Basing its order on the foregoing findings of fact and on the further findings contained in the opinion which precedes this order:

*It is hereby ordered*, that the El Modena Domestic Water Company be and it hereby is authorized and directed to file with the Railroad Commission of the State of California, within twenty days of the date of this order and thereafter charge the following rates:

For the first 400 cubic feet or less, \$1 per month.

For use over 400 cubic feet per month, 20 cents per 100 cubic feet.

*It is further ordered*, that applicant provide at all times adequate service to each consumer receiving water from the system.

*It is further ordered*, that the El Modena Domestic Water Company file its complete proposed rules and regulations with this Commission for its approval and shall thereafter put into effect such rules and regulations as amended and corrected by this Commission.

Dated at San Francisco, California, this seventeenth day of December, 1919.

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DECISION No. 6944.

IN THE MATTER OF THE APPLICATION OF SECURITY WAREHOUSE  
AND COLD STORAGE COMPANY FOR PERMISSION TO ISSUE  
STOCK.

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Application No. 5155.

Decided December 17, 1919.

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SECURITY ISSUES—DISPOSITION OF PROCEEDS—NONUTILITY BUSINESS.—In authorizing the issuance of securities for the construction of a public utility warehouse, a clause is included requiring the directors to file a stipulation to the effect that no claim will be made to include, in a rate base, any of such proceeds as may be expended for nonpublic utility property.

Applicant authorized to issue \$300,000 face value of its capital stock to be sold at not less than par, proceeds to be used for the purchase of property and the construction of a warehouse and cold storage plant.

*Bohnnett and Hill*, by *L. D. Bohnnett*, for Applicant.

*LOVELAND*, Commissioner.

**OPINION.**

Security Warehouse and Cold Storage Company asks permission to issue and sell at not less than par, 3000 shares (\$300,000) of its common capital stock and use the proceeds to acquire real property, described below, construct a warehouse and cold storage building, equip the same and provide itself with necessary working capital.

Applicant was incorporated on or about October 31, 1919, with an authorized capital stock of \$500,000, divided into 5000 shares of the par value of \$100 each.

Applicant's articles of incorporation authorize it, among other things, to carry on the business of warehousing and storing for hire in all its branches, act as depositary for hire of goods, wares and merchandise of all kinds, manufacture ice and carry on a general ice and cold storage business in all its branches, either wholesale or retail, receive on consignment, or otherwise, to store, sell or distribute goods on commission or other basis.

Applicant intends to acquire, at a cost of \$30,750, the following described real property:

Lots 3 and 4 in block 1 in Charles White's Addition in said city of San Jose, as shown on Sherman map of said city, excepting from said lot 4 a strip of land off the northerly part of said lot having a frontage of 11 feet, 2 and  $\frac{1}{2}$  inches on the westerly line of First street and a frontage of 9 feet,  $\frac{3}{4}$  of an inch on the westerly line of Second street.

Applicant reports that the title to this real property now stands in the name of J. Q. Patton, as trustee for applicant, and that it was purchased by him on behalf of applicant for the sum of \$30,750.

Applicant has filed with the Commission plans of its building prepared by James T. Ludlow, a mechanical and construction engineer. In its petition the estimated cost of the plant, including equipment, is reported at \$200,000, which if added to the cost of the land, aggregates \$230,750. Except as to the cost of the land, applicant reports that it is not in a position at this time to definitely advise the Commission as to the exact cost of its building or necessary equipment. It appears that Herbert Packing Company, Inc., Richmond-Chase Company, Pratt-Low Preserving Company, J. F. Pyle & Son and J. C. Ainsley Packing Company will acquire all of applicant's stock, except \$5000 subscribed by J. Q. Patton, which it will be necessary to issue to build the warehouse and cold storage plant. These firms have agreed to subscribe for the stock in proportion to the maximum number of boxes of fruit which they expect to store with applicant and pay for such stock at par.

Applicant asks permission to issue stock up to \$300,000 and use so much of the proceeds as may be needed to pay for the land described above, construct its warehouse and cold storage building, acquire the necessary equipment and provide itself with working capital. Applicant has not furnished the Commission with a detailed statement showing what sum of money it needs for working capital.

Inasmuch as applicant's warehouse is now only in process of construction, I do not believe that it will be handicapped if we assume at this time that the cost of the land, warehouse and equipment will be \$230,750 and authorize the expenditure of not more than \$230,750 of the proceeds from the sale of the stock to pay for such land, warehouse and equipment. The remaining proceeds should be deposited in a special fund and expended only for such purposes as the Railroad Commission

may hereafter authorize. If the cost of the building and equipment will finally exceed the present estimate, such fact may be reported to the Commission, together with a detailed statement showing the amount of money which applicant needs for working capital, and the Commission will thereupon make such order authorizing the expenditure of the moneys deposited in the special fund as it may deem proper.

The record shows that a considerable portion of applicant's proposed expenditures will be for the acquisition of property not used for public utility purposes. It is, however, urged that a business such as applicant proposes to undertake can be more economically operated by one corporation than by two or more and that it is impractical to organize one corporation to operate the public utility business and another corporation to operate the nonpublic utility business.

While, under the facts and circumstances, I am inclined to agree with applicant's views, I nevertheless believe that it should file with the Railroad Commission a stipulation duly authorized by its board of directors agreeing that it, its successors and assigns, will never ask the Railroad Commission, or other public body having jurisdiction, to include in a rate base, such amount as may be expended for nonpublic utility property.

I herewith submit the following form of order:

#### ORDER.

Security Warehouse and Cold Storage Company having applied to the Railroad Commission for permission to issue stock, a public hearing having been held, and the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose or purposes specified in this order, and that the expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income:

*It is hereby ordered*, that Security Warehouse and Cold Storage Company be, and it is hereby, authorized to issue \$300,000 par value of its common capital stock.

The authority herein granted is upon the following conditions and not otherwise:

1. The stock herein authorized shall be sold by applicant for cash, for not less than the par value thereof.
2. Of the proceeds, \$230,750, or so much thereof as may be necessary, may be used by applicant to pay for the acquisition of the real property described in the foregoing opinion, the construction of the warehouse and cold storage building and the acquisition of the necessary equipment, all as referred to in its petition herein and in exhibits filed in connection therewith.

3. The proceeds from the sale of \$69,250 of stock shall be deposited in a special fund and such proceeds, together with any part of the \$230,750 not necessary to acquire the land, construct the warehouse, purchase the equipment, referred to in condition 2 of this order, shall be expended only for such purposes as the Railroad Commission may hereafter authorize.

4. The authority herein granted shall not become effective until Security Warehouse and Cold Storage Company has filed with the Railroad Commission a stipulation duly authorized by its board of directors declaring that Security Warehouse and Cold Storage Company, its successors and assigns, will never urge the Railroad Commission or other public body having jurisdiction, to include in a rate base, when called upon to fix applicant's rates, such amount of the proceeds obtained from the sale of the stock as may have been expended for applicant to acquire nonpublic utility properties or business, and a supplemental order made reciting that such stipulation satisfactory in form has been filed in this proceeding.

5. Security Warehouse and Cold Storage Company shall keep such record of the issue and sale of the stock herein authorized, and of the disposition of the proceeds, as will enable it to file, on or before the twenty-fifth day of each month, a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

6. The authority herein granted will apply only to such stock as may be issued on or before August 1, 1920.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this seventeenth day of December, 1919.

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DECISION No. 6945.

IN THE MATTER OF THE APPLICATION OF CHARLES A. LORAIN FOR  
AN ORDER OF THE RAILROAD COMMISSION AUTHORIZING THE  
WITHDRAWAL OF CERTAIN SERVICE AND RATES.

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Application No. 5061.

Decided December 17, 1919.

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*Charles A. Lorain, in propria persona.*

BY THE COMMISSION.

**OPINION.**

The petitioner herein, Charles A. Lorain, seeks the authority of the Railroad Commission to discontinue service and rates under conditions

heretofore requiring him to provide at his sole expense the line construction between subscribers' premises and petitioner's main line, together with telephone instruments and maintenance thereof.

A public hearing was held by Examiner Satterwhite at Placerville on November 24, 1919.

The Railroad Commission on February 14, 1914, by its Decision No. 1276, in Application No. 889, granted, under certain conditions, authority to petitioner to construct and operate a rural telephone line along the Green Valley road from Rescue, in El Dorado County, to the Sacramento County line, and along the Deer Valley road between its points of intersection with the Green Valley road. A portion of said line was later completed and placed in operation and same has since been operated as a public utility.

Prior to January, 1917, subscribers of petitioner were required to provide at their own expense certain equipment, including line construction from their premises to petitioner's main lines and telephone instruments, together with the maintenance thereof, in order to secure service under the authorized rate of \$1.25 per month. On January 4, 1917, the Railroad Commission issued its informal order permitting petitioner to charge and collect a rate of \$1.50 per month from subscribers for whom petitioner provided at his sole expense the equipment above referred to, together with the maintenance thereof.

It is now alleged, in the petition herein, that the cost of providing said equipment, together with the maintenance of same, is excessive and prohibitive in proportion to the rate charged for that service and that, therefore, the service and rates made effective under authority of the Commission's informal order of January 4, 1917, should be discontinued and withdrawn.

At the hearing, petitioner testified that only five subscribers availed themselves of the service furnished under this higher rate and that they were agreeable to the granting of this petition. It was also testified that said subscribers had arranged to purchase the equipment now furnished by petitioner, which will result in all subscribers connected to petitioner's lines being placed upon a parity. Each of said subscribers were notified by registered mail regarding the purpose and date of the hearing, and petitioner filed as exhibits the return receipts of said registered mail.

No one opposed the application.

It was developed by the Commission at the hearing that petitioner did not provide the line construction from the premises of the subscriber to petitioner's main line, as contemplated and provided for in the rate authorized in the informal order, hereinabove referred to. Petitioner introduced a statement as an exhibit which showed a deficit of \$6.23 from operations for the year ending December 31, 1918.

**ORDER.**

Charles A. Lorain having applied to the Railroad Commission for authority to withdraw certain service and rates, said service and rates being more specifically referred to as the service and rates made effective under authority of the Railroad Commission's informal order of January 4, 1917, and a public hearing having been held thereon and the matter having been submitted and now ready for decision;

*It is hereby ordered*, that this application be and it is hereby granted.

Dated at San Francisco, California, this seventeenth day of December, 1919.

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DECISION No. 6946.

IN THE MATTER OF THE APPLICATION OF BAKER-BOWERS WAREHOUSE COMPANY FOR PERMISSION TO ISSUE SHARES OF CAPITAL STOCK.

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Application No. 5143.

Decided December 17, 1919.

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*Douglas A. Nye*, for Applicant.

LOVELAND, *Commissioner*.

**OPINION.**

Baker-Bowers Warehouse Company asks permission to issue at not less than par \$25,000 of its common capital stock.

The record shows that the Secretary of State issued to applicant a certificate of incorporation on September 3, 1919. Applicant has an authorized stock issue of \$50,000 divided into 5000 shares of \$10 each. It reports that it is about to engage in the business of bonded and free warehousemen and general storage in the city and county of San Francisco and elsewhere within this state.

Applicant intends to lease for warehouse purposes the following described property:

A lot of land beginning at a point formed by the intersection of the southerly line of Green street and the westerly line of Battery street, running thence westerly along said southerly line of Green street one hundred and thirty-seven (137) feet, six (6) inches; thence at a right angle southerly ninety-three (93) feet nine inches; thence at a right angle easterly one hundred and thirty-seven (137) feet six (6) inches to the westerly line of Battery street and thence northerly along said line of Battery street ninety-three (93) feet nine (9) inches to the southerly line of Green street and the point of beginning.

Being a portion of 50-vara lot No. 30, and the improvements situated thereon and consisting of three (3) story class C brick building, together with all and singular the spur tracks, rights of way and of user and other appurtenances belonging or in any way appertaining to said building or said premises demised hereby.

And also the premises—

Beginning at a point on the westerly line of Battery street distant thereon ninety-three (93) feet nine (9) inches, southerly from the point formed by the intersection of the westerly line of Battery street with the southerly line of Green street and running thence southerly along said line of Battery street forty-three (43) feet nine (9) inches; thence at a right angle westerly one hundred and thirty-seven (137) feet six (6) inches; thence at a right angle northerly forty-three (43) feet nine (9) inches; and thence at a right angle easterly one hundred and thirty-seven (137) feet six (6) inches to the point of beginning.

Being a part of 50-vara lot No. 30. Together with the brick building situate thereon and the appurtenances thereunto belonging or in any wise appertaining.

Applicant asks permission to use the proceeds obtained from the issue of the \$25,000 of stock to install Reichal system of rheostats and alarms, spiral chutes, to make alterations in the building located on Green and Battery streets, to purchase necessary warehouse equipment and provide itself with working capital. The amounts expended for the various purposes are set forth in detail in the amended petition herein, from which it appears that a relatively small amount of the proceeds will be used to acquire equipment not necessary for public utility purposes.

I herewith submit the following form of order:

#### ORDER.

Baker-Bowers Warehouse Company having applied to the Railroad Commission for permission to issue capital stock, a public hearing having been held and the Commission being of the opinion that this application should be granted, subject to the conditions of this order;

*It is hereby ordered*, that Baker-Bowers Warehouse Company be, and it is hereby, authorized to issue and sell on or before May 1, 1920, at not less than par, \$25,000 of its capital stock, and use the proceeds for the purposes set forth in the amended petition herein; provided—

1. That applicant will not urge the Railroad Commission to include in any rate base such an amount of the proceeds of the stock herein authorized as it may use to acquire properties not used or useful in public utility business.

2. That applicant will keep such record of the issue and sale of the stock herein authorized and of the disposition of the proceeds as will enable it to file, on or before the twenty-fifth day of each month, a verified report, as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this seventeenth day of December, 1919.

## DECISION No. 6959.

IN THE MATTER OF THE APPLICATION OF VALLEY TELEPHONE  
COMPANY, A CORPORATION, FOR AUTHORITY TO ISSUE A NOTE  
AND REFUND OBLIGATIONS.

Application No. 5102.

Decided December 17, 1919.

MARTIN, Commissioner.

**ORDER.**

Whereas, the Railroad Commission, by Decision No. 4740, dated October 10, 1917, authorized Valley Telephone Company to issue for a term of two years or less, its \$2500 10 per cent note to refund an indebtedness represented by two notes authorized to be issued by Decision No. 3174, dated March 22, 1916; and

Whereas, applicant now asks permission to issue a note for a term of four years or less, for the principal sum of \$2500, bearing interest at not to exceed 10 per cent per annum, for the purpose of refunding the note issued under the authority granted in Decision No. 4740, dated October 10, 1917, and a public hearing having been held and the Railroad Commission being of the opinion that this application should be granted;

*It is hereby ordered*, that Valley Telephone Company be, and it is hereby, granted authority to issue for a term of four years, its note for not more than \$2500, bearing interest at not exceeding 10 per cent per annum, for the purpose of refunding the indebtedness represented by the note issued pursuant to the authority granted in Decision No. 4740, dated October 10, 1917; applicant may issue said note for a term of less than four years and renew said note from time to time, provided that the combined periods of any note so issued and its renewal does not extend beyond four years from the date of this order.

Applicant shall file with the Railroad Commission within thirty days after the issue of any note herein authorized a copy of such note.

The foregoing order is hereby approved and ordered filed as the order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this seventeenth day of December, 1919.



## DECISION No. 6960.

IN THE MATTER OF THE JOINT APPLICATION OF THE INGLEWOOD WATER COMPANY AND THE CITY OF INGLEWOOD FOR AN ORDER GRANTING PERMISSION FOR THE COMPANY TO SELL AND THE CITY TO BUY A CERTAIN PORTION OF ITS WATER SYSTEM; FOR THE COMPANY TO LEASE TO THE CITY A CERTAIN PORTION OF ITS WATER SYSTEM; AND FOR THE ESTABLISHMENT OF JUST AND REASONABLE RATES PER ONE HUNDRED CUBIC FEET OF WATER FOR DOMESTIC AND IRRIGATION USES TO BE PURCHASED BY THE COMPANY FROM THE CITY FOR SERVICE TO CONSUMERS ON THAT PORTION OF ITS SYSTEM RETAINED BY THE COMPANY.

Application No. 5152.

Decided December 19, 1919.

*Clyde Woodworth*, for city of Inglewood.

*Harry Lee Martin*, for Inglewood Water Company.

MARTIN, *Commissioner*.

**OPINION.**

The city of Inglewood and the Inglewood Water Company have made joint application to the Railroad Commission for an order permitting Inglewood Water Company to sell and the city of Inglewood to purchase a certain portion of the water system of said company; also for approval by this Commission of a certain lease and for the establishment of a just and reasonable rate to be charged by the city of Inglewood to Inglewood Water Company for water delivered to it for distribution to its remaining consumers.

From the evidence submitted at the hearing held in this proceeding, it appears that the purchase of this system by the city of Inglewood was authorized by the voters of that city by a very large majority. Applicants have presented data and submitted evidence with relation to the service to be rendered and the just and reasonable rate to be charged for water to be purchased by the Inglewood Water Company from the city of Inglewood for serving the consumers on the portion of said system retained by the company, and it appears that six cents per 100 cubic feet is a fair rate.

**ORDER.**

The city of Inglewood and the Inglewood Water Company having made joint application to the Railroad Commission as entitled above, and the Commission being fully apprised in the premises:

*It is hereby found as a fact*, that six (6) cents per one hundred (100) cubic feet is a fair and just rate to be charged for such water, and

basing its order on the foregoing finding of fact and the further statements of fact in the preceding opinion;

*It is hereby ordered*, that the city of Inglewood be, and the same is hereby authorized and directed to file and put into effect said rate of six (6) cents per one hundred (100) cubic feet for water to be purchased from said city by the Inglewood Water Company, said rate to be filed with this Commission within twenty (20) days from the date of this order.

*It is hereby further ordered*, that applicants herein be, and they are hereby authorized to transfer that certain public utility water property, more particularly described in the application herein and hereby referred to and made a part of this order.

*It is hereby further ordered*, that Inglewood Water Company be and it is hereby authorized to lease to the city of Inglewood that portion of its public utility water system more particularly described in Exhibit "E" attached to the application herein and hereby referred to and made a part of this order.

The authority herein granted is upon the following conditions and not otherwise:

(1) The authority herein granted shall apply only to such transfer and lease as shall have been made on or before February 1, 1920.

(2) Within ten days after the transfer and lease of these properties the Inglewood Water Company shall file with this Commission verified copies of the instrument of conveyance and lease and also advise the Commission of the specific date of transfer and lease.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this nineteenth day of December, 1919.

## DECISION No. 6963.

IN THE MATTER OF THE APPLICATION OF GEORGE LEARNED FOR  
CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY TO  
OPERATE PASSENGER MOTOR BUS SERVICE BETWEEN SAN  
RAFAEL, MILL VALLEY, SAUSALITO AND INTERMEDIATE POINTS,  
COUNTY OF MARIN, STATE OF CALIFORNIA.

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Application No. 5120.

Decided December 19, 1919.  
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CERTIFICATES, AUTO STAGE—DUPLICATE SERVICE—NECESSITY MUST BE SHOWN FOR.  
—The Railroad Commission can not authorize the establishment of duplicate transportation facilities in the absence of an affirmative showing that the existing service is not satisfactorily meeting the demands of the public desiring transportation. In the absence of such showing the certificate applied for is denied as to such portion of the proposed route which, at the time, is receiving adequate service.

*James F. McCue*, for Applicant.

*H. C. Symonds*, for board of trustees of the town of Mill Valley.

*John F. Burnett*, as chairman of committee appointed by Community Council of Mill Valley.

*J. J. Geary*, for United States Railroad Administration, Northwestern Pacific Railroad, Protestant.

BY THE COMMISSION.

**ORDER.**

George Learned has petitioned the Railroad Commission for an order declaring that public convenience and necessity require the operation by him of an automobile stage line as a common carrier of passengers between San Rafael, Mill Valley, Sausalito and intermediate points, all in the county of Marin.

Public hearings on this application were conducted by Examiner Handford at Sausalito on November 28 and at San Francisco on December 13, 1919, the matter was duly submitted, and is now ready for decision.

Applicant proposes to charge rates in accordance with a schedule marked Exhibit "A" and filed with the amended application in this proceeding and to operate on a schedule of twenty round trips daily over a route serving Ross, Kentfield, Escalle, Baltimore Park, Corte Madera, Alto, Tamalpais Union School, Waldo, Manzanita, Marin Heights and Pine. The equipment proposed to be used consists of three Kleiber trucks, equipped with special passenger bodies, each with a seating capacity of thirty passengers.

Applicant relies as justification for the granting of the desired certificate upon the alleged fact that the schedules maintained by the Northwestern Pacific Railroad Company between the points proposed to

be served are infrequent during the midday hours and that there are intervals of from one to two hours in such schedule after 8.45 p.m. Also that the fares charged by the Northwestern Pacific Railroad between intermediate stations over the proposed route are high.

Witnesses for applicant testified as to the inconvenience of facilities offered by the Northwestern Pacific Railroad as regards trips between Mill Valley and points on the San Rafael-Sausalito line north of the transfer station of Almonte; also as to the lack of proper shelter station facilities at the transfer point. Students attending the Union High School and using the facilities of the Northwestern Pacific Railroad, are obliged to wait at the transfer point, whereas the proposed stage line of applicant would pass the door of the Union High School. The schedule of the Northwestern Pacific Railroad requires from one hour and seven minutes to one hour and thirteen minutes to make the trip between Mill Valley and San Rafael as against a proposed schedule of thirty-five minutes as proposed by applicant. The application is endorsed by the Community Council, the Outdoor Art Club, and by the chairman of the board of trustees, all of the town of Mill Valley. Residents of San Anselmo and San Rafael, including city officials of the latter community, favor the granting of the application, although testifying that the direct service afforded by the trains of the Northwestern Pacific Railroad as regards Mill Valley-Sausalito and San Rafael-Sausalito business is satisfactory. Witnesses are of the opinion that the establishment of the proposed stage line will add to the present facilities enjoyed by the respective communities and will aid in the development of the portion of Marin County proposed to be served. Applicant claims to have the financial backing of a resident of Sausalito and that ample funds will be available for the conduct of the line should certificate be granted. Applicant has had no experience in the transportation business and has no definite data upon which to base his expectations that the proposed line if inaugurated would be a financial success.

This application is opposed by the United States Railway Administration on behalf of its lessor, the Northwestern Pacific Railroad. Counsel for protestant, while admitting that the service between Mill Valley and points on the main line between Almonte and San Rafael justifies some complaint, due to a change of cars being required and a wait being necessary at the junction point, directs attention to the fact that the schedules are framed to care for the majority of the patrons who use the line between Mill Valley and Sausalito and between San Rafael and Sausalito and that the travel using a combination of the main line and the Mill Valley branch is not sufficient to justify the establishment of special service, and that it is impossible to arrange a satisfactory

schedule to accommodate the few patrons desiring such service by use of the present trains as now operating. Protestant operates trains between San Rafael and Sausalito on a half-hourly schedule between the hours of 6.18 a.m. to 9.18 a.m., then on an hourly schedule until 4.18 p.m.; then on a half-hourly schedule until 8.18 p.m., and thereafter at 9.18, 10.48 p.m. and 12.18 and 1.33 a.m. On the Sausalito-Mill Valley line trains operate on a similar schedule. Applicant herein proposes a schedule of an hourly headway which is not as convenient for the public, especially during the peak hours of travel, and offering no advantage to the public other than eliminating the delay in transfer at Almonte for passengers between points on the Mill Valley branch and points on the main line between Almonte and San Rafael. The Northwestern Pacific Railroad offers commutation rates for patrons to and from San Francisco and the majority of its patrons using the suburban trains are commuters between San Francisco and Marin County points. A comparison of the one-way and round-trip fares as existing on the line of the Northwestern Pacific Railroad and those proposed by applicant is as follows:

Between —	Applicant's rate One way	Round trip	N. W. P. R. One way	R. rate Round trip
San Rafael and Kentfield -----	\$0.10	\$0.20	\$0.15	\$0.30
San Rafael and Corte Madera -----	.15	.30	.15	.30
San Rafael and Tamalpais Union High School -----	.20	.35	.35	.70
San Rafael and Mill Valley -----	.20	.35	.35	.70
San Rafael and Sausalito -----	.25	.35	.35	.70
Sausalito to Mill Valley -----	.15	.30	.20	.40
Sausalito to Tamalpais Union High School -----	.10	.20	.15	.30
Sausalito to Corte Madera -----	.20	.35	.20	.40

After careful consideration of all the evidence in this proceeding we are of the opinion that no showing of public convenience and necessity has been made justifying the Commission in granting the application as regards the entire route herein sought. The public convenience and necessity would be served, or the limited portion of the public desiring such service, by the establishment of the desired line over the portion of the route between San Rafael and the Tamalpais Union High School. There is no evidence before the Commission in this proceeding, other than that of the applicant, which indicates any desire on the part of any representative of any of the communities proposed to be served for additional service to the town of Sausalito, and the testimony of the applicant's witnesses is that the service of the Northwestern Pacific Railroad on the main line and Mill Valley branch, as regards Sausalito traffic, is good.

We are not satisfied that the volume of business that would offer over the portion of the route sought by applicant for which a necessity exists, as shown by the testimony in this proceeding, will justify appli-

cant in entering the business of a transportation company. The Commission can not, however, authorize the establishment of duplicate facilities in the absence of an affirmative showing that the facilities of existing carriers are not satisfactorily meeting the demands of the public desiring transportation, and there is no evidence in this proceeding justifying the establishment of any automobile stage service between the Tamalpais Union High School and Sausalito.

*The Railroad Commission hereby declares,* that public convenience and necessity require the operation of an automobile stage service as a common carrier of passengers between Tamalpais Union High School and San Rafael, serving the intermediate communities of Mill Valley, Corte Madera, Larkspur, Escalle, Kentfield, Ross and San Anselmo; provided, however, that the rights and privileges hereby authorized may not be transferred nor assigned unless the written consent of the Railroad Commission to such transfer or assignment has first been procured.

*It is hereby ordered,* that applicant herein be required to file with the Railroad Commission, within ten days from the date of service of this order, a written acceptance of the certificate herein granted, such acceptance to contain advice as to the date upon which service will be commenced, which date shall not be more than thirty days from the date of service of this order.

*It is hereby further ordered,* that no vehicle may be operated under this certificate unless such vehicle is owned by the applicant herein or is leased by such applicant under a contract or agreement on a basis satisfactory to the Railroad Commission.

The Railroad Commission reserves the right to make such other and further orders in this proceeding as to it may appear just and proper or as in its opinion the public necessity and convenience may require.

Dated at San Francisco, California, this nineteenth day of December, 1919.

## DECISION No. 6969.

IN THE MATTER OF THE APPLICATION OF PLYMOUTH WATER COMPANY FOR PERMISSION TO ISSUE A PROMISSORY NOTE.

Application No. 4958.

IN THE MATTER OF THE APPLICATION OF PLYMOUTH WATER COMPANY FOR PERMISSION AUTHORIZING THE ISSUE OF A PROMISSORY NOTE.

Application No. 4959.

Decided December 19, 1919.

*M. C. Randolph*, for Applicant.

BY THE COMMISSION.

## OPINION.

In Application No. 4958, Plymouth Water Company asks permission to issue to Plymouth Consolidated Gold Mines, Limited, its three-year 5 per cent note for the principal sum of \$3,000.

In Application No. 4959, Plymouth Water Company asks permission to issue to Hayward, Lane & Hobart Estate Company, its three-year 5 per cent note for the principal sum of \$2,275.

At the hearing held before Examiner Satterwhite in San Francisco on December 16, the two applications were consolidated for hearing and decision.

M. C. Randolph, president of Plymouth Water Company, reports that the indebtedness referred to in Application No. 4959 has been paid and therefore that application may be dismissed.

The record shows that in order to supply the town of Plymouth with an adequate amount of water, it was necessary for applicant to have a pumping plant installed. This plant was installed by Plymouth Consolidated Gold Mines, Limited, at a cost of about \$5,000. The title to the pumping plant is held by the mining company and will be so held until the final payment therefor is made.

Applicant asks permission to issue to the mining company its three-year 5 per cent note for the sum of \$3,000 as part payment for the pumping plant and intends to carry the balance due the mining company as an open account indebtedness.

Applicant operates in the town of Plymouth, which is reported to have a population of about 600. In its annual report for the year ending December 31, 1918, applicant reports the number of services installed at 125; the number of its consumers at 105; its operating revenues at \$2,829, and its operating expenses at \$1,855, leaving a net revenue for the year of \$974.

**ORDER.**

Plymouth Water Company having applied to the Railroad Commission for permission to issue a note, a public hearing having been held, and the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose or purposes specified in this order and that the expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income:

*It is hereby ordered*, that Plymouth Water Company be, and it is hereby, granted authority to issue to Plymouth Consolidated Gold Mines, Limited, its three-year 5 per cent note for the principal sum of \$3,000 for the purpose of refunding part of the indebtedness representing the cost of installing the pumping plant referred to in Application No. 4958.

*It is hereby further ordered*, that Application No. 4959 be dismissed without prejudice.

The authority herein granted is subject to the following conditions:

1. Plymouth Water Company shall keep such record of the issue and sale of the note herein authorized and of the disposition of the proceeds as will enable it to file on or before the twenty-fifth day of each month a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

2. The authority herein granted will not become effective until applicant has paid the fee prescribed by the Public Utilities Act.

3. The authority herein granted will apply only to such note as may be issued on or before April 1, 1920.

Dated at San Francisco, California, this nineteenth day of December, 1919.



## DECISION No. 6972.

IN THE MATTER OF THE APPLICATION OF SAN DIEGO AND ARIZONA  
RAILWAY COMPANY FOR AN ORDER AUTHORIZING THE ISSUE  
AND SALE OF BONDS.

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Application No. 808.

Supplemental Petition.

Decided December 19, 1919.

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*Read G. Dilworth, for Applicant.*

**BRUNDAGE, Commissioner.**

**SECOND SUPPLEMENTAL OPINION.**

On October 11, 1918, the Commission made its order, Decision No. 5848, authorizing San Diego and Arizona Railway Company to issue \$5,826,800 of 7 per cent cumulative preferred stock and not exceeding \$7,289,088.20 of its 6 per cent forty-year bonds. Applicant is authorized to issue the stock to J. D. and A. B. Spreckels and Southern Pacific Company for the purpose of paying or refunding in part the advances made by J. D. and A. B. Spreckels and Southern Pacific Company prior to October 1, 1916, pursuant to the terms of an agreement filed with the Commission. Applicant is further authorized to issue the \$7,289,088.20 of bonds to J. D. and A. B. Spreckels and Southern Pacific Company for the purpose of paying and refunding advances made by J. D. and A. B. Spreckels and Southern Pacific Company to pay bank loans and to finance the construction of applicant's line of railway subsequent to October 1, 1916, as provided for in the aforementioned agreement.

At the time of the former decision, it was believed that the stock and bonds which the Commission therein authorized to be issued, would be sufficient to entirely finance the construction of applicant's railway. Applicant now reports in its supplemental petition filed November 6, and also furnished evidence showing, that increases in the cost of labor and materials due to conditions brought about by the war, additional payments required to be made to the contractors and subcontractors in adjusting and making good actual losses sustained by them, because of such conditions, in carrying to completion their contracts for the construction of part of applicant's railroad under such conditions, and increased payments made and to be made to the contractors and subcontractors now engaged in constructing the remaining portion of applicant's railroad, made necessary because of such conditions, have materially increased the cost of such construction over the estimates heretofore made and filed with the Commission. Applicant therefore

asks authority to issue \$710,911.90 of additional bonds to refund advances made or to be made by the Southern Pacific Company to pay in part the cost of construction of applicant's railroad. All of the bonds will be taken by the Southern Pacific Company at par.

I herewith submit the following form of order:

**SIXTEENTH SUPPLEMENTAL ORDER.**

San Diego and Arizona Railway Company having applied to the Railroad Commission for authority to issue bonds, a public hearing having been held, and the Commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose or purposes specified in this order;

*It is hereby ordered*, that San Diego and Arizona Railway Company be, and it is hereby, granted authority to issue and sell to the Southern Pacific Company at not less than par, on or before March 30, 1920, \$710,911.80 face value of its 6 per cent forty-year bonds, in addition to the bonds authorized in Decision No. 5848 dated October 11, 1918, for the purpose of paying or refunding advances made by said Southern Pacific Company to pay for and finance in part the construction of applicant's line of railway subsequent to October 1, 1916, pursuant to the terms of the agreement attached to a supplemental petition filed herein on June 3, 1918, and marked Exhibit "A"; provided—

1. That San Diego and Arizona Railway Company will keep such record of the issue and sale of the bonds herein authorized, and of the disposition of the proceeds, as will enable it to file on or before the twenty-fifth day of each month, a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order; and provided, further—

2. That the authority herein granted will not become effective until applicant has paid the fee prescribed by the Public Utilities Act.

The foregoing second supplemental opinion and sixteenth supplemental order are hereby approved and ordered filed as the second supplemental opinion and sixteenth supplemental order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this nineteenth day of December, 1919.

## DECISION No. 6973.

IN THE MATTER OF THE APPLICATION OF THE MODESTO GAS COMPANY, A CORPORATION, ASKING THE RAILROAD COMMISSION TO FIX ITS RATES CHARGED FOR GAS.

Application No. 4907.

Decided December 19, 1919.

**VALUATIONS—RATE OF RETURN—EXCESSIVE CONSTRUCTION.**—A full return is not allowed on the value of facilities installed by a gas utility solely for the purpose of taking care of estimated future increases in its business, as the present consumers, not receiving any benefit or service therefrom, can not be expected to pay rates which would provide a return upon such investment.

**SPECIAL RATES—LARGE CONSUMERS—NOT DISCRIMINATORY.**—The granting of a lower rate to a large user of gas is held not to be discriminatory, provided the minimum monthly use is so established as to provide that such consumer shall use or pay for a proportionately large amount of service; however, such class of business should stand a larger proportion of increase in rate readjustments necessitated through increases in cost of manufacturing gas.

*Frank A. Cressey, Jr.*, for Applicant.

*A. J. Carlson*, city attorney, and *Geo. J. Ulrich*, mayor, for city of Modesto.

*BRUNDIGE*, Commissioner.

**OPINION.**

Modesto Gas Company, alleging that it is forced to meet an ever increasing cost of manufacture and distribution of gas supplied to consumers, asks the Railroad Commission to so fix its rates and charges for gas that it may hereafter earn a reasonable return upon its invested capital. A hearing was held in Modesto on October 15, 1919, and the matter thereupon submitted.

Applicant is engaged in the manufacture and distribution of gas in the city of Modesto, county of Stanislaus, California, supplying in excess of 1500 consumers. Prior to August 26, 1918, its rates for gas were based on a rate of \$1.65 per thousand, gradually reducing to \$1 per thousand, with a discount of 10 per cent for prompt payment and a minimum charge of \$1 per meter per month. Effective August 28, 1918, the Railroad Commission, by Decision No. 5707, following a hearing in Application No. 3927, increased applicant's rates to a small degree to compensate it in part for increased costs of operation then in effect.

Applicant now reports to the Commission the results of its operations for the year ending July 31, 1919, which covers the first year's operations under the new rates. In this period applicant sold 50,060,100 cubic feet of gas to 1534 consumers, and the gross revenue from its business amounted to \$89,138. Its operating expenses reported for the same period, including a reasonable allowance for depreciation and for

uncollectible accounts, was \$78,681. The net income of \$10,459 thus resulting is but slightly in excess of 5-per cent upon its investment in the properties devoted to its gas business.

Prior to July 31, 1918, applicant paid 80 cents per barrel for oil used in gas manufacture. Thereafter the price of oil increased to \$1.91 per barrel, and at the present time it is required to pay an average of \$1.97, which price, in all probability, will continue indefinitely in the future. All other costs of operation, including materials and labor, have reached a permanently higher level and on the basis of these increased costs of operation and a proper earning on its invested capital, a further increase in rates is now sought. The Commission has heretofore investigated the plant and properties of Modesto Gas Company and in connection with earlier proceedings on both its rates and finances, valuations have been made and the Commission has found that a reasonable value of properties as of June 30, 1918, was the sum of \$185,334. Since that date applicant has expended, according to its books of account, approximately \$9,000 in additions and betterments to its properties. To meet the future increase in its business, applicant has entered into a program of improvements to its generating and distribution facilities that calls for an expenditure of nearly \$90,000 within a period of one year. Aside from provision for mains, services, meters and current improvements, these expenditures cover a new holder of 300,000 cubic feet capacity, an additional gas generator and enlargements generally in its production facilities.

The securities to be issued for these improvements have been heretofore authorized by the Commission. By these expenditures Modesto Gas Company is providing facilities of a major character at this time that are sufficient to meet its anticipated growth for a period of at least five years in the future. The construction work contemplated is evidently in excess of the immediate requirements of the business and the expenditures in this connection represent a proportionately large increase in its capital accounts. Applicant's plans in this connection show foresight, and as a matter of economy the enlargements now to be installed should be of such size and character as to make provision for some extended period in the future. On the other hand, it would hardly appear proper to expect applicant's present consumers to pay in rates sufficient to carry an investment substantially in excess of that necessary to supply current demands. Upon analysis, it appears that \$75,000 of the proposed expenditures represents enlarged plant facilities that will not be fully utilized for a period of five years.

I therefore propose to include in applicant's rate base for the next year one-fifth of such expenditures as the proper amount chargeable against the capital to be devoted to its gas operations for the year 1920.

Based on the foregoing, and with the addition of reasonable amounts for working cash capital and materials and supplies, I find that the sum of \$230,000 represents a reasonable value of the gas properties of Modesto Gas Company and a proper basis for establishing its earnings and rates for the immediate future. I further find the sum of \$5,100 is a reasonable allowance to be included in operating expenses annually for accruing depreciation.

Applicant's sales of gas for the year ending December 31, 1920, will, in all probability, increase to 60 million cubic feet and if its present rates and charges were to continue in effect a gross revenue of \$104,218 for the year would result. The operating expenses to supply this business, taking into account the present prices of oil and materials and the wages which are to be paid, including the above allowance for depreciation, taxes and uncollectible accounts, will total \$90,350, leaving a net revenue of \$13,868, which is 6.03 per cent on the rate base hereinabove set forth.

Prior to 1918 applicant shows that under rates which were reasonable and under the then existing costs of operation, it could, as a result of efficient management, render gas service of a high standard and earn a return in excess of that generally accepted as reasonable for utilities of this character. In spite of the increased costs of operation and a diminishing return, applicant has in no way reduced the quality of its service and has fully met its obligations to supply the growing demands of its territory. The Commission is in full accord with the policy thus evidenced and in the disposition of this proceeding I shall recommend that applicant be authorized such rates as will enable it to continue to give such service and to meet the requirements of its territory as it has done in the past. The rates as hereinafter established will, in my judgment, be sufficient to enable applicant to fully maintain its service and provide for the growth of its business, and constitute an average increase of less than 8 per cent of the rates now in effect.

In addition to a rate for general service, applicant now offers a special rate for restaurant service which is substantially less than that paid by the major portion of its consumers. This rate is available, per se, only to consumers who use very large quantities of gas, and the minimum bill prescribed in this schedule is such that a consumer must use at least ten times as much gas as the average domestic patron. Under these conditions it can hardly be said that there is discrimination as between this schedule and the general schedule. In increasing applicant's rates I have, however, increased the restaurant service schedule in a somewhat greater proportion than the general schedule, inasmuch as the present increased costs of operation affect the gas sold

under this schedule to a greater extent than would be covered by the same proportional increase as holds for the general schedule.

The gross annual revenue to be derived at rates hereinafter established, on the basis of the sales for the year 1920, will be the sum of \$109,022. From this should be deducted operating expenses, taxes and depreciation, aggregating \$90,740. The net income of \$18,282 from these rates produces a return of 7.95 per cent on \$230,000, which figure I have heretofore adopted as a reasonable rate base for the period under consideration. I recommend the following form of order:

#### ORDER.

Modesto Gas Company having applied to the Railroad Commission for authority to increase its rates for gas, a hearing having been held and the matter submitted and now ready for decision, the Railroad Commission of the State of California hereby finds as a fact that the present rates and charges for gas of Modesto Gas Company are not fair and reasonable rates, in so far as they do not adequately compensate it to the extent of earning proper operating expenses and a fair return upon the reasonable valuation of the properties of Modesto Gas Company, and in so far as they differ from the rates and charges hereinafter established.

Based on the foregoing findings of fact and upon the other findings of fact contained in the opinion which precedes this order;

*It is hereby ordered*, that Modesto Gas Company be and it is hereby authorized to charge and collect for gas effective for all regular meter readings taken on and after the twentieth day of December, 1919, the following rates and charges, to wit:

#### *General Service.*

		Gross	Net
First	500 cubic feet per meter per month	\$1.10	\$1.00
Next	2,500 cubic feet -----	1.85	1.75 per M. cubic feet
Next	6,000 cubic feet -----	---	1.60 per M. cubic feet
Next	6,000 cubic feet -----	---	1.40 per M. cubic feet
All over	15,000 cubic feet -----	---	1.20 per M. cubic feet

The net rate is effective if the bill is paid at the office of the company on or before the 10th of the month next succeeding that for which the bill is rendered, otherwise the gross rate is effective.

#### *Restaurant Service.*

First	30,000 cubic feet per meter per month	-----	\$1.10 per M. cubic feet
All over	30,000 cubic feet per meter per month	-----	1.00 per M. cubic feet

Minimum bill, \$30 per meter per month.

Provided, Modesto Gas Company shall within ten days of the date of this order file with the Railroad Commission the schedules of rates herein established.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this nineteenth day of December, 1919.

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DECISION No. 6974.

CITY OF TURLOCK, A MUNICIPAL CORPORATION,

vs.

TURLOCK TELEGRAPH AND TELEPHONE COMPANY ET AL.

Case No. 1374.

Decided December 19, 1919.

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TELEPHONE LINE CONSTRUCTION—INTERRUPTIONS TO SERVICE.—A telephone utility which has constructed open wire lines along a street through a row of shade trees is required to put such lines in an aerial cable along another location to prevent frequent interruptions to service due to swaying branches breaking wires.

*Wm. N. Gragbiel*, city attorney, Turlock, for Complainant.

*J. L. Randolph*, president, Turlock Telegraph and Telephone Company, for Turlock Telegraph and Telephone Company.

*BRUNDIGE*, Commissioner.

**OPINION.**

In this complaint the city of Turlock alleges that the telephone service furnished over the telephone lines of the Turlock Telegraph and Telephone Company in East Main street, city of Turlock, is very bad, and asks that the Railroad Commission order certain changes in this portion of the Turlock Telegraph and Telephone Company's lines.

This case was heard and submitted on December 11, 1919, in the city hall, Turlock, California.

The telephone lines in question are of open wire construction and run through a row of shade trees practically the entire distance. To properly operate these lines would require a large amount of tree trimming at this time and in the future.

There is no doubt that this open wire construction is not the proper construction in the instance in question.

The service complained of can be made satisfactory to all concerned by putting the lines in question in aerial telephone cable and running the cable in Thor street from the cable pole at the intersection of Thor and East Main streets to a point at the alley between East Main and East Olive streets; thence in a northeasterly direction in the alley

between East Main and East Olive streets, where the alley exists, and over private property by easement, where the alley does not exist, to a point in the street beyond Dock No. 236, all in the city of Turlock.

I recommend the following form of order:

#### ORDER.

The city of Turlock having complained to the Commission regarding the service furnished by the Turlock Telegraph and Telephone Company over its lines in East Main street, Turlock, and a public hearing having been held in the city of Turlock on December 11, 1919, the Commission finds that the service given over the lines in East Main street in Turlock is insufficient and inadequate and can be improved by removing the said telephone lines in East Main street and putting them in aerial cable to be run on poles through the streets and alleys described in the last paragraph of the opinion above.

*It is hereby ordered*, that thirty (30) days after the necessary easements required for right of way set forth in the last paragraph of the opinion are delivered to J. L. Randolph, president of the Turlock Telegraph and Telephone Company, the Turlock Telegraph and Telephone Company shall have completed the changes set forth in the last paragraph of the foregoing opinion, which is hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this nineteenth day of December, 1919.

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#### DECISION No. 6975.

IN THE MATTER OF THE APPLICATION OF THE CONTRA COSTA GAS COMPANY, A CORPORATION, FOR A REVISION OF ITS RATES.

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Application No. 4924.

Decided December 19, 1919.

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*S. Waldo Coleman*, for Applicant.

*A. B. Tinning*, for county of Contra Costa.

*A. P. Bray*, city attorney, for city of Martinez.

BY THE COMMISSION. •

#### OPINION.

Contra Costa Gas Company, a utility supplying gas to the cities and towns of Antioch, Concord, Martinez, Pittsburg and Crockett, and contiguous and intervening territory, in Contra Costa County, California,



alleges that its present rates for gas are insufficient to properly compensate it for its costs of operation and give it a reasonable return on its investment, and asks that the Commission accordingly increase its rates and charges for gas.

A hearing was held at Martinez before Examiner Westover on October 13, 1919, at which time the matter was submitted pending the filing of supplementary evidence by applicant at the Commission's request. The evidence being fully before the Commission, the matter is now submitted and ready for decision.

Applicant first engaged in the gas business in the year 1915, following the construction of a gas generating plant, transmission mains and distributing system in Contra Costa County. Its rates have been twice subject to revision by the Commission in Decision No. 5177, in Application No. 3322, dated March 4, 1918, and in Decision No. 6103, in Application No. 4158, dated February 13, 1919. In both of these proceedings applicant's rates were increased to absorb, in part, the increased cost of oil, labor, materials and other operating expenses. The rates now in effect are as follows:

**TABLE No. 1.**

**SCHEDULE "A."**

*General Service.*

	Gross	Net
First 500 cubic feet or less per meter per month.....	\$1.10	\$1.00
Next 2,000 cubic feet per meter per month, per 1000 cubic feet ----	1.75	1.65
Next 2,500 cubic feet per meter per month, per 1000 cubic feet ----	1.55	1.45
Next 3,000 cubic feet per meter per month, per 1000 cubic feet ----	1.35	1.25
Next 7,000 cubic feet per meter per month, per 1000 cubic feet ----	----	1.10
All over 15,000 cubic feet per meter per month, per 1000 cubic feet ----	----	1.00

The net rate is effective if the bill is paid at the office of the company on or before the tenth of the month next succeeding that for which the bill is rendered. If the bill is not paid on or before the tenth, the gross charge is effective.

**SCHEDULE "B."**

*Prepay Meters.*

Rate.....	\$1.75 per 1000 cubic feet
Minimum.....	\$1.00 per meter per month

**SCHEDULE "C."**

*Hotels, Restaurants and Bakeries.*

	Gross	Net
Rate per 1000 cubic feet per month.....	\$0.90	\$0.85
Minimum weekly charge per meter.....	7.50	7.00

The net rate is effective if the bill is paid at the office of the company within three (3) days after reading of meter and presentation of weekly bill. If the bill is not paid within three (3) days, the gross charge is effective.

In spite of the increased rates which have been authorized to Contra Costa Gas Company in the last two years, its expenses continue to increase through causes over which it has no control. Results of

operation, with estimates for 1920 at present rates, are graphically shown below.

TABLE No. 2.

**Contra Costa Gas Company: Results of Operation, 1915-1919, Inclusive, and Estimates for 1920; Present Rates, 570 British Thermal Units.**

	1915	1916	1917	1918	1919	1920*
Capital* -----	\$100,000	\$200,000	\$240,000	\$263,000	\$290,000	\$310,000
Operating revenue -----	16,037	45,211	66,968	87,438	95,592	99,875
Operating expenses—						
Production -----	\$4,452	\$14,276	\$22,512	\$39,059	\$52,994	\$57,809
Transmission -----	609	849	1,489	2,121	3,259	3,324
Distribution -----	683	3,772	5,316	6,009	5,708	5,822
Commercial -----	2,468	6,923	9,909	11,374	11,037	11,037
General and miscel- laneous -----	672	3,396	3,531	3,636	4,288	4,323
Taxes -----	666	2,333	3,632	5,138	6,741	17,600
Depreciation -----	*1,850	*3,900	4,946	5,289	6,179	6,200
Total operating ex- penses -----	\$11,400	\$35,449	\$51,335	\$72,676	\$90,356	\$69,115
Net revenue -----	\$4,637	\$9,762	\$15,633	\$14,762	\$5,236	\$3,710
Rate of return on capi- tal—per cent -----	4.6	4.9	6.5	5.5	1.8	1.2
Number of consumers--	788	1,661	1,942	2,042	*2,300	2,470
Sales of gas, thousand cubic feet -----		35,528.7	53,137.9	57,602.0	59,449.0	59,675
Revenue per thousand cubic feet sold -----		\$1 27	\$ 26	\$1 52	\$1 60	\$1 67

NOTE.—Items for 1915 to 1918, inclusive, from annual reports of applicant to Commission; items for 1919 from applicant's Exhibit "A" herein. (Partially estimated.)

\*Estimated.

†Taxes include state tax on gross revenue and also 2 per cent on gross revenue under local franchise requirements.

The cost of oil to applicant in 1917 was 70 cents per barrel, in 1918, \$1.55 and in 1919, \$1.70, and after March 1, 1920, the evidence shows it will cost \$1.85 per barrel. Other costs of operation have also increased.

Table No. 2 indicates that applicant's business has passed its development stage, its territory is now well saturated, and in the future its business will be subject only to normal increase through growth of population and industries to be served. The gas supplied by it has heretofore contained a uniform heating quality of 550 British thermal units per cubic foot, continued to date under the authority of the Commission as an exception to the standard of 570 British thermal units established by General Order No. 58, and its present rates are based upon that quality of gas.

Applicant is now prepared to conform to the state standard of gas quality, but shows that its consumption of oil will be increased thereby and its sales slightly decreased, conditions which it asks to have recognized in any rate based upon the standard quality of 570 British

thermal units gas. This is done in the rates herein established which are based on a heating content of 570 British thermal units.

It appears from testimony of consumers and investigations by the Commission's engineers that in portions of applicant's territory there has been a noticeable lack of pressure, particularly at times of heavy consumption of gas, which is due in a large measure to the absence of storage capacity at Martinez. Applicant gives assurance that steps have been taken to remedy these conditions. The authority herein contained to increase rates is based upon the assurance of adequate service in the particulars referred to.

Applicant claims the reasonable value of its physical properties as of August 31, 1919, to be \$270,110, based upon actual investment as shown by its accounts, which have been kept from the beginning in conformity with the requirements of the Commission. The necessary additions and betterments to its system to the end of the year 1919 are estimated at \$20,000. Necessary improvements to its generating, transmission and distribution systems during 1920 to supply the normal growth in its business, will probably require an additional \$10,000. These additions, with allowance for materials, supplies and working capital, aggregate \$310,000, which we find to be a reasonable rate base for property devoted to public service for the year 1920. Our engineers estimate that a reasonable annuity for depreciation or replacements is \$6,200.

Taxes will be considerably increased next year because applicant's 2 per cent franchise tax will then apply for the first time upon all of its gross revenue. This is a legitimate expense which must thereafter be paid by consumers in the form of rates.

Table No. 2 shows that estimated revenue and expenses for 1920 under present rates would probably produce only 1.2 per cent on the \$310,000 rate base, a wholly inadequate return upon the investment. If the territory in question is to continue to receive adequate service with suitable provision for future growth it is manifest that applicant's return must be increased sufficiently to insure continued operation and the procuring of needed additional capital. There is, however, a point beyond which an increase in rates will cause applicant to suffer a loss of business, a factor which is considered in fixing the rates found in the order. The rates authorized we estimate will produce a gross revenue of \$119,337 and a net return of 7 per cent per year upon the \$310,000 invested, which in our judgment is as much as applicant may reasonably expect to earn upon present conditions.

#### ORDER.

Contra Costa Gas Company having applied for a revision of its rates, a public hearing having been held, evidence being submitted and the matter being ready for decision;

*The Railroad Commission hereby finds, that the present rates of Contra Costa Gas Company are not sufficiently remunerative and that the rates hereinafter set forth are just and reasonable rates.*

Basing its order upon the foregoing finding of fact and upon each statement of fact contained in the opinion preceding this order;

*It is hereby ordered, that Contra Costa Gas Company be, and it is hereby, authorized to charge and collect for gas of average heating value of 570 British thermal units per cubic foot, the following schedules of rates:*

#### SCHEDULE 1.

##### *General Service.*

	Gross	Net
First 400 cubic feet or less per meter per month.....	\$1.10	\$1.00
Next 2,000 cubic feet per meter per month, per 1000 cubic feet....	2.10	2.00
Next 5,000 cubic feet per meter per month, per 1000 cubic feet....	1.70	1.60
Next 7,000 cubic feet per meter per month, per 1000 cubic feet....	----	1.40
All over 15,000 cubic feet per meter per month, per 1000 cubic feet..	----	1.20

The net rate is effective if the bill is paid at the office of the company on or before the tenth day of the month next succeeding that for which the bill is rendered. Otherwise the gross charge applies.

#### SCHEDULE 2.

##### *Prepay Meter Service.*

Rate.....	\$2 per 1000 cubic feet
Minimum charge.....	\$1 per meter per month

#### SCHEDULE 3.

##### *Hotels, Restaurants, and Bakery Service.*

	Gross	Net
Rate per 1000 cubic feet per meter per month.....	\$1.15	\$1.10
Minimum weekly charge per meter.....	7.75	7.50

The net rate is effective if the bill is paid at the office of the company within four (4) days after the presentation of the weekly bill. Otherwise the gross charge applies.

The above schedules of rates shall apply to all regular meter readings taken on and after the twentieth day of December, 1919;

Provided, Contra Costa Gas Company shall, within ten days from the date of this order, file with the Railroad Commission the schedules of rates herein established; and further

Provided, that Contra Costa Gas Company shall on and after the effective date of this order conform in all respects to the gas service standards of General Order No. 58 of this Commission.

Dated at San Francisco, California, this nineteenth day of December, 1919.

## DECISION No. 6976.

IN THE MATTER OF THE APPLICATION OF THE MARTINEZ-BENICIA  
FERRY AND TRANSPORTATION COMPANY FOR AUTHORITY TO  
INCREASE RATES.

Application No. 5078.

Decided December 20, 1919.

Upon a showing that the increases applied for by applicant are reasonable and that to maintain the present class of service it is necessary that applicant secure the additional revenue which will accrue therefrom, permission granted to increase automobile rates from 75 cents to 94 cents, together with readjustment of other freight rates.

*John S. Partridge*, for Applicant.

*LOVELAND*, Commissioner.

## OPINION.

This is an application by the Martinez-Benicia Ferry and Transportation Company for authority to increase freight rates. There is to be no change in the one-way passenger fare of 15 cents nor the round-trip fare of 25 cents. Ferryboats are operated between Martinez and Benicia handling both freight and passengers, the bulk of the company's revenue being received from the transportation of passengers and passenger automobiles.

The first tariff of this company became effective September 8, 1913, and, among other items, provided a rate of 75 cents for automobiles, 80 cents per ton for freight on vehicles and \$1 per ton for freight not on vehicles, minimum charge 25 cents. Since the commencement of service, in 1913, only slight changes have been made in these rates.

It will not be necessary to here set forth in detail all of the present and proposed freight rates, the most important being as follows:

	Present	Proposed
Automobiles -----	\$0.75	\$0.94
Automobiles with trailers -----	1.25	1.50
Automobile trucks under 4000 lbs. -----	.75	.94
Automobile trucks over 4000 lbs. -----	.75	1.25
Automobile truck trailers -----	-----	.75
Freight on vehicles, per ton -----	.80	1.00
Freight not on vehicles, per ton -----	1.00	1.90
Minimum charge -----	.25	.50

In justification of the increases in rates and the need for additional revenue, applicant presented a number of statements:

## Balance Sheet October 31, 1919.

*Assets.*

Steamer "City of Seattle"-----	\$19,533 30
Steamer "City of Martinez"-----	71,187 09
Slips, tanks, equipment-----	27,605 53
Petty cash -----	250 00
Cash on hand and in bank-----	20,335 04
Lease of wharf—Martinez-----	4,600 00
Lease of wharf—Benicia-----	3,252 94
Real estate -----	9,002 00
Investments -----	14,676 00
Prepaid water -----	225 60
Total -----	\$170,687 50

*Liabilities.*

Capital stock -----	\$50,000 00
Profit and loss-----	65,123 72
Liability insurance reserve-----	6,000 00
Notes payable -----	4,000 00
Mortgage payable -----	5,000 00
War tax collections-----	294 04
Reserve for depreciation-----	40,269 74
Total -----	\$170,687 50

With the exception of the real estate—\$9,002—and the investment in government bonds—\$14,676—shown above, all of the remaining assets, totalling \$147,009.50, are actively employed in the public service.

A statement, making a comparison of the pay roll, April, 1916, with September, 1919, shows the following increases in monthly wages:

Captains -----	from \$150 00 to \$250 00
First officers -----	from 90 00 to 160 00
Chief engineers -----	from 125 00 to 225 00
Firemen -----	from 75 00 to 126 35
Deckhands -----	from 75 00 to 119 40
Ticket agents -----	from 50 00 to 90 00

Applicant alleges that because of changed conditions and circumstances the service can no longer be performed under the rates now being charged.

The company was organized January 25, 1912, under the laws of the State of California, with a capital stock of 5000 shares, having a par value of \$10 per share, all of which was outstanding as of October 31, 1919.

The first annual report rendered to the Commission covered the year ending December 31, 1916, at which time the total assets were \$69,469.27, including a surplus of \$36,178.51. On December 31, 1918, the capital investment in plant, building, land, etc., was \$115,441.60 and the total

assets were \$160,435.50. At that time there was a surplus of \$85,008.93, a reserve for accident insurance of \$6,000, and a reserve for depreciation of \$40,269.74, or a total, surplus and reserve, of \$131,278.67.

The annual report shows that the company met with prosperity in the years 1916-17-18, its gross earnings being \$54,610.32, \$95,320.08 and \$112,538.82; total expenses \$25,248.77, \$48,840.24 and \$58,610.06, and the net profits, before charging depreciation, \$29,252.77, \$45,643.04 and \$45,000.61.

Applicant furnished a statement of revenue and expenses, giving the actual results for twelve-month periods ending October 31, 1918 and 1919 and the estimated results for the same period ending October 31, 1920. The annexed table is compiled from this statement:

**Income Account for Twelve Months, November 1 to October 31, Inclusive.**

Items	Actual		Estimated. 1920
	1918	1919	
Operating revenue—			
Traffic—other than miscellaneous freight	\$108,777 36	\$105,046 00	\$93,855 88
Traffic—miscellaneous freight	1,257 00	1,377 89	413 37
Rent—bar and restaurant	920 00	1,300 00	1,320 00
Rent—city of Seattle	4,783 33	1,666 67	-----
Telephone	63 00	95 71	95 71
Drinking cups	40 90	34 35	34 35
Totals	\$115,841 59	\$109,520 62	\$95,719 31
Operating expenses—			
Salaries and wages	\$32 690 45	\$32,052 44	\$55,444 62
Fuel	4,677 35	12,430 67	12,430 67
Supplies for boats	2 798 93	4,372 68	4,372 68
Repairs to boats	7,833 19	6,273 72	7,842 15
Repairs to slips and tanks	10,221 96	5,247 41	6,559 26
All other operating expenses, including taxes	9,179 04	11,919 31	13,116 68
Totals	\$67,400 92	\$92,296 23	\$99,766 06
Net operating revenue	\$48,440 67	\$17,224 39	\$4,046 75
Depreciation	*24,918 17	14,351 57	14,351 57
Net operating profit	\$23,522 50	\$2,872 82	\$18,398 32

\*Includes depreciation for previous years.

†Loss.

It will be noted the total revenue was \$115,841.59 in 1918, \$109,520.62 in 1919 and that the estimate for 1920 is \$95,719.31. A segregation by months of the 1919 period shows that during the first eight months the traffic revenues were approximately 25 per cent less than for the same period of 1918. This is accounted for by the fact that during the eight months period in 1919 the opposition company—Rodeo-Vallejo Ferry—maintained a complete schedule. During the four months of the remainder of the period—July, August, September

and October, 1919—the competing line was unable to secure more than one boat, which materially increased the revenue of applicant. This was an unusual condition and comparisons show that under normal operations of the two lines the revenue of this applicant has decreased approximately 25 per cent since the Rodeo-Vallejo Ferry Company inaugurated its service in July, 1918.

Referring now to operating expenses, it will be noted that salaries and wages increased from \$32,690.45 in 1918 to \$52,052.44 in 1919 and are estimated at \$55,444.62 for the same twelve months period ending October 31, 1920. Fuel oil also shows an increase from \$4,677.35 in 1918 to \$12,430.67 in 1919. The percentage ratio of these increases in operating expenses to operating revenues are shown in the following tabulation:

	1918 (per cent)	1919 (per cent)	1920 (per cent)
Salaries and wages.....	28.23	47.53	57.92
Fuel .....	4.04	11.35	12.99
Supplies for boats.....	2.42	3.99	4.57
Repairs to boats.....	6.76	5.73	8.19
Repairs to slips and tanks.....	8.82	4.79	6.85
All other operating expenses.....	7.92	10.88	13.70
<b>Totals .....</b>	<b>58.19</b>	<b>84.27</b>	<b>104.22</b>

This tabulation shows that the expenses absorbed 58.19 per cent of the gross revenue in 1918; 84.27 per cent in 1919, and will absorb 104.22 per cent in 1920. The results for 1920 are based on the additional revenue anticipated under the proposed rates and the expenses are based on the schedule of wages established March 1, 1919. It therefore follows that if the estimates for the period ending October 31, 1920, are correct, applicant will be unable to secure sufficient revenue to meet operating expenses and taxes, without any allowance for depreciation or return upon investment. The largest item of operating expense upon which applicant depends for higher rates is that of salaries and wages. The wages now being paid are the result of a settlement between the company and its employees in July, 1919, retroactive to March 1, 1919, whereby they were advanced to the basis paid to employees of federal controlled lines performing a like service. Definite figures were furnished by Exhibit No. 2, but it will not be necessary to here set forth the pay roll in detail; however, mention may be made of the fact that when the rates now being charged were first put into effect the eight-hour day was not observed. Under the present agreement wages are based on an eight-hour day, with pay for all overtime. Captains have been advanced from \$150 to \$250 per month; first officers from \$90 to \$160; chief engineers from \$125 to



\$225, with overtime and a bonus, making their monthly wage \$300.25; firemen from \$75 to \$126.35 and deck hands from \$75 to \$119.40. The increase to captains, including overtime, is 72 per cent; chief engineers 140 per cent; deck hands 66 per cent, with other employees in proportion. Fuel oil formerly secured under contract at 60 cents per barrel, delivered, now costs \$1.62 per barrel, plus the delivery charges.

As heretofore stated, this applicant met with great prosperity during the early years of its operations, but in July, 1918, a competing company known as the Rodeo-Vallejo Ferry, commenced service between Rodeo and Vallejo, establishing a more convenient route to certain territory, thereby drawing heavily from the traffic formerly handled exclusively by applicant. This competition, with the heavy increases in operating costs, has changed the once prosperous utility to a condition where it will be unable to earn reasonable profits unless the gross revenue greatly increases. It is also shown by testimony that a third company, known as the Six-Minute Ferry, will commence operations between Valona and South Vallejo in the very near future, which will further curtail the business now handled by this applicant.

While applicant has paid dividends each year, with the exception of one, since operations were inaugurated, apparently they have not been excessive and the surplus earnings have been invested in property used in the service.

The company originally had one boat of small carrying capacity; it now owns two, both being in service during the rush periods of the year. The great volume of business consists of passenger and passenger automobile traffic, the revenue from freight representing less than 1 per cent of the total operating earnings. It is estimated that the increase in rate for passenger automobiles from 75 to 94 cents will bring approximately \$12,000 additional revenue, which amount is included in the estimated earnings shown for 1920 in the preceding table. Without the increase in rates it is doubtful if the operations of this company can be maintained. There are now five companies operating ferryboats for the transportation of automobiles at different points on San Francisco Bay, two of which are under federal control. Another company will begin operations within the very near future, but apparently the six companies will not be able to give an entirely satisfactory service. There is testimony to the effect that on Saturdays, Sundays and holidays the facilities of the combined companies operating across San Francisco Bay are inadequate to meet the demands of people traveling in automobiles. Apparently, what the people need and what they are insisting upon is a transbay service at the different points to meet their requirements during the peak hours, a situation which does not now exist.

The rates proposed have not been shown to be excessive and I am of the opinion that the public will be better satisfied with an improved and frequent service at a slightly increased rate, which can not be given under the rates in effect.

Upon full consideration of all the evidence, I find as a fact that the rates in question are unjust and unreasonable to the extent that they exceed the scale of rates set forth in the order, which rates are found to be just and reasonable.

The application should be granted, and I submit the following form of order:

#### ORDER.

A public hearing having been held in the above entitled proceeding, testimony having been presented, the case having been submitted for decision, and the Railroad Commission having reached the conclusion that the rates now being charged are unjust and unreasonable;

*It is hereby ordered*, that the Martinez-Benicia Ferry and Transportation Company is authorized to establish within twenty (20) days from the date of this order, the following rates:

1. Automobiles .....	\$0 94
2. Automobiles with trailers attached .....	1 50
3. Autotrucks weighing under 4000 pounds .....	94
4. Autotrucks weighing 4000 pounds or over .....	1 25
5. Autotrucks with trailers attached, weighing under 4000 pounds .....	1 69
6. Autotrucks with trailers attached, weighing 4000 pounds or over .....	2 00
7. Motorcycles accompanied by party in charge (does not include attendant's fare) .....	25
8. Motorcycles not accompanied or handled by owner .....	62½
9. Buggies (light), hacks, sulkies, wagons, carts and trucks drawn by one horse .....	75
10. Buggies (light), hacks, hearses, sulkies, carts, wagons and trucks drawn by two horses, each .....	1 50
11. Each extra horse .....	75
12. Hearses, self-propelling .....	1 25
13. Hearses, self-propelling or horse drawn, including horses, containing casket with or without corpse .....	1 50
14. Loose horses or cattle, ten head or less, each .....	75
15. Loose horses or cattle, over ten head, each .....	50
16. Push-cart, where bed or box of cart does not measure to exceed 24 by 40 inches and weight of cart is not over 100 pounds .....	31½
17. Push-cart, where measurement of bed or box of cart exceeds 24 by 40 inches and weight of cart is over 100 pounds .....	62½
18. Motorcycles with side car .....	50
19. Colts or calves, weaned and not following mother .....	75
20. Sucking colts or calves with mother .....	Free
21. All freight on vehicles, either horse or power, per ton .....	1 00
22. General freight (not on vehicles) .....	1 90
23. No charge on freight to be made for less than .....	50

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twentieth day of December, 1919.

## DECISION No. 6977.

IN THE MATTER OF THE APPLICATION OF SAN FERNANDO TELEPHONE AND TELEGRAPH COMPANY, A CORPORATION, FOR AUTHORITY TO INCREASE ITS RATES FOR TELEPHONE SERVICE.

Application No. 4893.

Decided December 20, 1919.

**CAPITAL ACCOUNT—DEPRECIATION RESERVE—AMOUNTS CHARGEABLE TO.**—A public utility should not charge to maintenance, expenditures made for additions to plant, such items being solely chargeable to capital account, nor will it be permitted to arbitrarily increase its depreciation reserve to an amount in excess of a sum reasonably required for that purpose. Depreciation reserve must not be treated merely as a book account, and the funds expended for betterments without providing for replacements of depreciated property.

**TELEPHONE RATES—ZONE SYSTEM.**—The establishment of a zone system of rates for a telephone utility such as applicant herein is not warranted and would impose an undue burden on consumers. Before the establishment of a quarter-mile zone system a careful investigation of the necessity and consequence of such a step must be made.

*J. M. Baldwin and Walter F. Dunn, for San Fernando Telephone and Telegraph Company.*

*BRUNDIGE, Commissioner.*

**OPINION.**

In this application the San Fernando Telephone and Telegraph Company, hereinafter referred to as the company, asks the Commission's authority to increase its rates for all classes of its telephone exchange service by approximately 50 cents per month for business telephones and 25 cents per month for residence telephones. In addition, the company desires to make certain changes in the class and character of service now rendered. The Commission is also asked to approve a proposed zone system of rates in zones varying with the class of service.

**Valuation, Operating Revenues and Expenses and Finances.**

The company filed with its application an appraisal of its property as of August 1, 1919, showing a cost of reproduction new of \$44,527.67. The application states that the original cost of the property is unknown. On August 1, 1914, when the present applicant purchased this property from the Consolidated Securities Company, the purchase price was \$20,000. Since that time the plant has been converted into common battery equipment and has been largely reconstructed.

A statement of income and expenses for 1916, 1917 and 1918 and an estimate of income and expenses for 1919 under present rates and

under the rates proposed by the company is also attached to the application. In this statement the company shows the following totals:

	1916	1917	1918	Present rates, 1919	Proposed rates, 1919
Plant value, including material and supplies and working capital	\$11,147	\$42,095	\$44,735	\$45,510	\$45,510
Total revenue, including exchange service, toll and miscellaneous	9,473	10,674	11,332	12,800	15,400
Total expenses, including plant, traffic and commercial, general, taxes, rent, uncollectible revenue and depreciation	9,093	9,359	9,689	13,140	13,260
Net revenue	380	1,315	1,613	*340	2,140

\*Deficit.

It appears further that on August 1, 1919, the company had an indebtedness consisting of the unpaid balance of a promissory note of \$20,000, dated August 1, 1914, and amounting to \$19,000. The company has an authorized common capital stock of \$50,000, \$8,000 of which is issued and outstanding. There is no further indebtedness.

A hearing was held in San Fernando on September 25, 1919. It was stipulated that the Commission, through its engineering department, should make whatever investigation was deemed necessary and that the report of the department dealing with the valuation and with matters of operation and service should be furnished to the parties to this proceeding as soon as completed and should be considered as evidence in the case.

This report has now been made. It appears that there are considerable discrepancies between the exhibits filed by the company and the engineering department's report. The valuation, copy of which has been furnished to the company, shows a reproduction cost of this property as of August 1, 1919, of \$37,740.45 and a reproduction cost less depreciation as of the same date of \$28,564.

A careful analysis of revenue and expenses from October 1, 1918, to October 1, 1919, was also made by our engineers. It is found that the company in recent years has been in the habit of charging to maintenance certain items which are not operating expenses but additions to plant and that the amount set aside for a depreciation reserve was increased from \$1,200 in 1918 to \$2,100 in 1919. This 75 per cent increase appears to have been made by the company for no definite reason, with the effect, however, that the estimated net revenue for the year 1919 is less by that amount. An analysis of depreciation for this property by our engineers shows that an annual payment into the depreciation fund of \$1,200 (in monthly installments of \$100) is ample for this plant and will replace the entire property, on a 5 per cent sinking fund basis, in approximately fifteen years.

An estimate of revenue and expenses of the company for 1920 is also contained in the engineering department's report. This estimate shows that the company will require for operation, maintenance, depreciation, taxes and uncollectible revenue the sum of \$11,550. This includes an allowance of 10 per cent to cover increases in labor costs over present costs due to enlarged business and takes into account proper segregation of expenses between operating and capital. This amount will permit of first class service to the subscribers of this company and the Commission should insist upon such service being rendered.

Gross revenue from exchange and toll service under rates recommended in this opinion are estimated to produce between \$13,500 and \$14,000 in 1920, taking into account a normal increase in business of between 5 and 10 per cent. The company will therefore have available for net return approximately \$3,000. This is equal to a fair return of 8 per cent on the reproduction cost new of all of the company's property or to a return of over 10 per cent on the reproduction cost less depreciation. I shall accept the figures of the engineering department in preference to those submitted by the company in so far as these matters are determining factors in a decision.

With the proposed rates in effect, the company would have the less cause for complaint when the fact is taken into consideration that since the acquisition of this plant in 1914 for the sum of \$20,000, extensions have been built and improvements made out of earnings to the extent of at least \$7,000.

Comparing the actual money put into this plant by the owners and the security holders (\$26,800) with the valuation made by the engineering department (\$37,740), on which latter sum the 8 per cent fair return is figured, the company in the last five years has come into possession of an increment of value, not contributed by the owners, of \$11,000. It is true that no dividends have been paid on the \$7,800 par value of outstanding stock, but it is equally apparent that the company has nevertheless earned a fair return on the investment.

The company, I believe, has acted wisely in investing into its plant all or the greater part of its net earnings, especially during the development period of this property. A public utility can not expect returns, however, which in addition to providing operating expenses, depreciation, taxes and a fair earning on the investment or the valuation, will also furnish the new capital required for extensions and betterments.

In this case it is my opinion that the company is following an unsound and short-sighted practice in treating its depreciation reserve as a book account only and in using the fund for extensions and betterments

without providing for considerable replacements of depreciated property that must inevitably occur in the near future.

The depreciation allowance of \$1,200 per annum provided for in our engineering department's estimate is added to the rates for a specific purpose. This purpose is to insure good service by providing sufficient money for such renewals of outworn property as will inevitably fall due from time to time in the future. The reserve should be so held that the money will be available when the renewals are necessary and it should not be used for any other purpose. This course is the only sound and safe one for this company, for the plant is reaching an age when considerable replacement will have to be made in the near future if good service is to be furnished.

#### Service.

During the hearing in this case there was considerable discussion of the question of service. I believe that the service given to the subscribers of this company can be improved by better operating methods. The company should make every effort to give the best possible service and the Commission's staff will be glad to furnish all possible assistance to this end.

#### Rates.

There is no justification, in my opinion, and no necessity for increasing the rates of this company to the extent asked for or for modifying the service as suggested in the application. Neither do I believe that the Commission should approve the zone system as petitioned for by the company. The establishment of a zone system such as the company desires would further add to the cost of service to the consumer and the conditions existing in the San Fernando territory do not require the adoption of such a system for this company at this time.

It is my opinion that before the Commission authorizes the adoption of the quarter-mile zone system, a most careful investigation of the necessity and consequences of such a step should be made.

I recommend that the Commission order the company to offer the following classes of service and authorize the following rate schedule:

#### *Within the city limits of San Fernando.*

	Per month Business	Per month Residence
Main line—wall_____	\$3 25	\$2 75
Two-party line—wall_____	2 75	2 50
Four-party line—wall_____	2 50	2 25
Ten-party line—wall_____	1 75	1 50

#### *Outside the city limits of San Fernando.*

Suburban main line—wall_____	3 25*	2 75*
Suburban ten-party line—wall_____	2 25	2 00

\*Plus a mileage charge of 50 cents per month for each quarter of a mile or fraction thereof, measured from the city limits on a direct air line between the exchange and the subscriber.

*Extensions, desk telephones and discounts.*

	Per Business	month Residence
Desk telephones, 25 cents per month additional on all classes of service.		
Extensions, wall or desk .....	\$1 75	\$1 25

All rates subject to a discount of 25 cents if paid on or before the tenth day of the month in advance.

I do not believe it necessary to provide in this rate and service schedule for specific rules and rates on a mileage or any other basis to cover line extensions that do not properly fall within the suburban classification and that are remote from the exchange or which, in the opinion of the applicant, would place an undue burden on the company. Provision is made for such cases in the rules laid down in this Commission's Decision No. 2879, approved April 27, 1916.

I recommend the following form of order:

**ORDER.**

San Fernando Telephone and Telegraph Company having filed with the Commission its application for an increase of rates, a hearing having been held, the matter having been submitted, and the Commission, basing its conclusions on the foregoing opinion, finding as a fact that the rates authorized and the classes of service prescribed in this order are just and reasonable;

*It is hereby ordered*, that the applicant is authorized to establish and file with the Commission within thirty days of the date of this order a schedule of rates and services as outlined in the foregoing opinion. Applicant is authorized to put these rates into effect subject to the following conditions:

(a) Adequate and efficient telephone service must be rendered at all times for all classes of service.

(b) A depreciation reserve of \$1,200 per annum in installments of \$100 per month shall be set aside for the purposes set forth in the foregoing opinion and the depreciation fund shall be accounted for and used for such purposes only as will be prescribed or authorized by this Commission.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twentieth day of December, 1919.

## DECISION No. 6978.

IN THE MATTER OF THE APPLICATION OF JESSE S. HARKER AND EDNA M. HARKER TO SELL AND OF ESTELLE N. GRENKE TO PURCHASE THE MELVIN PLACE WATER PLANT LOCATED IN LOS ANGELES COUNTY, CALIFORNIA, AND FOR AUTHORITY TO ISSUE A NOTE IN THE AMOUNT OF EIGHT THOUSAND DOLLARS.

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Application No. 5110.

Decided December 22, 1919.

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*Chas. L. Evans*, for Jesse S. Harker and Edna M. Harker.

*Earl Curtis Peck*, for Estelle N. Grenke.

*J. E. Stevens*, for city of Los Angeles.

MARTIN, *Commissioner*.

**OPINION.**

A joint application has been filed with the Railroad Commission as entitled above for authority to transfer a certain public utility water system known as Melvin Place Water Plant, and Estelle N. Grenke, as purchaser of the system, asks for permission to issue a three-year 7 per cent note for \$8,000, to pay in part for the properties which she is acquiring from Jesse S. Harker and Edna M. Harker, and to secure the payment of said note by the execution of a mortgage on the water plant. Though it is reported that the mortgage will be in the form used by the Title Insurance and Trust Company, this Commission can not finally authorize the execution of the mortgage until a copy thereof has been filed with it. The authority herein granted to execute a mortgage will therefore be only of a preliminary nature.

With reference to the proposed transfer of the Melvin Place Water Plant, it appears that Estelle N. Grenke, as purchaser of the system, is in position to take charge of the plant and continue the operation and maintenance of same, whereas the present owners are engaged in other business and unable to devote the necessary time to the operation of the plant. Under these conditions public convenience and necessity will be conserved by authorizing the transfer of the property.

I herewith submit the following form of order: .

**ORDER.**

Jesse S. Harker and Edna M. Harker having applied to the Railroad Commission for permission to transfer the Melvin Place Water Plant to Estelle N. Grenke, and said Estelle N. Grenke having joined in said



application, and having asked for permission to issue a note and execute a mortgage; a public hearing having been held and the Commission being fully apprised in the premises, and being of the opinion that the money, property or labor to be procured or paid for by the issue of the note is reasonably required for the purpose specified in this order;

*It is hereby ordered*, that Jesse S. Harker and Edna M. Harker be and they are hereby authorized to transfer to Estelle N. Grenke the Melvin Place Water Plant, more particularly described in the petition herein and hereby referred to and made a part of this order.

*It is hereby further ordered*, that Estelle N. Grenke be and she is hereby authorized to issue a three-year 7 per cent note for \$8,000 to pay in part for said Melvin Place Water Plant, and execute a mortgage to secure the payment of said note.

The authority herein granted is upon the following conditions and not otherwise:

(1) The price at which Estelle N. Grenke is herein authorized to acquire said properties from Jesse S. Harker and Edna M. Harker shall not be urged before this Commission or any other public body as a finding of value for said properties for rate-fixing or any purpose other than the transfer herein authorized.

(2) Within thirty days after the transfer of the properties herein authorized, Estelle N. Grenke shall file with the Railroad Commission a verified copy of the instrument of conveyance and also advise the Commission of the specific date on which she acquired the properties and took possession thereof.

(3) The authority herein granted will not become effective until the Commission by supplemental order has approved the proposed mortgage which Estelle N. Grenke is authorized to execute.

(4) Within thirty days after the issue of the note herein authorized, Estelle N. Grenke shall file with the Railroad Commission a copy of such note.

(5) The authority herein granted to issue a note will not become effective until Estelle N. Grenke has paid the fee prescribed by the Public Utilities Act.

(6) The authority herein granted will apply only to such transfer of properties, issue of note and execution of mortgage as may be effected on or before May 1, 1920.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-second day of December, 1919.

## DECISION No. 6979.

IN THE MATTER OF THE APPLICATION OF THE LAKE LAND CANAL AND IRRIGATION COMPANY AND CORCORAN IRRIGATION DISTRICT FOR AN ORDER AUTHORIZING THE SALE OF ALL THE PROPERTIES OF SAID CANAL COMPANY TO SAID IRRIGATION DISTRICT.

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Application No. 5202.

Decided December 22, 1919.

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BY THE COMMISSION.

**ORDER.**

Application having been made to the Railroad Commission as entitled above, and it appearing that this is not a matter in which a public hearing is necessary, and that the application should be granted;

*It is hereby ordered*, that the above entitled application be, and the same is hereby, granted upon the following conditions:

(1) The authority herein granted to transfer property will apply only to such transfer as shall have been made prior to May 1, 1920.

(2) Within thirty days after the transfer of the property herein authorized, the Corcoran Irrigation District shall file with the Commission a verified copy of the instrument of conveyance, and within ten days subsequent to the date of transfer, a statement shall be filed with the Commission indicating that such transfer has taken place.

Dated at San Francisco, California, this twenty-second day of December, 1919.

## DECISION No. 6980.

IN THE MATTER OF THE COMMISSION'S INVESTIGATION INTO THE RULES, REGULATIONS AND PRACTICES OF WILLIAM S. VAN HOOSEAR, AS OWNER OF A WATER SYSTEM NEAR HAYWARD, CALIFORNIA.

Case No. 1391.

Decided December 23, 1919.

**WATER SERVICE—DISCONTINUANCE OF—AUTHORITY FOR.**—Obtaining signatures of consumers to an agreement authorizing the discontinuance of water service of a public utility is not sufficient grounds for discontinuing such service nor are such contracts binding as to the jurisdiction of this Commission over the service of a public utility water system.

**WATER RATES—INCREASES IN.**—A public utility water system can not increase its rates solely through agreement with its consumers and without making the necessary application for and securing authorization of this Commission permitting such action.

Defendant directed to resume service within five days at its regular schedule of rates as heretofore filed with the Commission.

*H. S. Craig*, for William S. Van Hoosear.

BY THE COMMISSION.

**OPINION.**

The above entitled matter is a proceeding brought by the Railroad Commission, on its own motion, into the rules, regulations and practices of William S. Van Hoosear, who owns and operates a small public utility water system located in Castro Valley approximately two and one-half miles in a northeasterly direction from the town of Hayward. This system formerly supplied some seventeen consumers with water for domestic purposes. However, only five consumers have been receiving water during the past year, due in large measure to Van Hoosear's refusal to serve and to the unsatisfactory conditions prevailing.

A number of informal complaints have been filed with the Commission, alleging that defendant arbitrarily discontinued service and increased his rates without the authority of this Commission.

On November 23, 1919, a public hearing was held in the matter of the Commission's investigation, as entitled above, and the testimony conclusively showed that defendant has been operating the water system owned by him as a public utility; that he has increased his monthly minimum charge for water from 75 cents per month to \$2.50 per month, without the authority of this Commission; that he has arbitrarily discontinued service to his consumers without authority; and further, that he has transferred his water system without first having obtained the authority of this Commission. It appears that these violations of law have not been committed through ignorance on the part of William S. Van Hoosear, inasmuch as he admitted that he

has on various occasions received notice from the Commission of such violations.

Heretofore, on August 30, 1917, Mr. Van Hoosear filed an application with this Commission (Application No. 3184), requesting authority to discontinue the operation of the water system in question, which application was denied by Decision No. 4845, issued November 14, 1917. In its Decision No. 5956, *Anna Silva vs. Wm. F. Van Hoosear*, Case No. 1194, issued November 23, 1918, this Commission found as a fact that Mr. Van Hoosear was operating a public utility water system within the meaning of the Public Utilities Act and chapter 80, Laws of 1913. The above mentioned orders became effective and Mr. Van Hoosear continued the operation of his system as a public utility until recently.

Subsequent to the issuance of these decisions, Mr. Van Hoosear obtained the signatures of his consumers to an agreement to release him from all obligations to deliver water to them, in the event he secured a buyer for his property, which includes not only the water system in question, but also a ranch. The decisions of the higher courts clearly establish the principle that contracts such as these, made between a public utility and its consumers, are subject to the police powers of the state, and therefore ineffective if they conflict with the provisions of the Public Utilities Act or the orders of this Commission. These contracts are not binding upon the Commission and Mr. Van Hoosear can not discontinue service unless he complies with the laws obtaining. He further attempted to increase the rate charged for service by securing a signed agreement on the part of his consumers. No application or request was made to this Commission for authority to charge the agreed rates, neither were these rates placed on file, as provided by the Public Utilities Act. The discontinuance of service worked a hardship upon those dependent upon this system for water for domestic uses, and such arbitrary and unwarranted actions are inexcusable. If the revenue derived from the operation of this plant is insufficient, Mr. Van Hoosear may apply for relief in the manner prescribed by law.

Under section 51 of the Public Utilities Act, authority must be granted by this Commission before a public utility can transfer its operative property, and such authority must be obtained before the property in question can legally be transferred.

#### ORDER.

The Railroad Commission of the State of California having conducted an investigation into the rules, regulations and practices of William S. Van Hoosear as owner of a public utility water system, a

public hearing having been held, and the Commission being fully apprised in the premises;

*It is hereby found as a fact*, that William S. Van Hoosear has illegally and arbitrarily increased the rates charged by him for water, and has illegally and arbitrarily discontinued service to consumers;

*It is further found as a fact*, that the legal rates to be charged by William S. Van Hoosear for water delivered to consumers is 50 cents per 1000 gallons, with a minimum charge of 75 cents per month;

And basing its order upon the foregoing findings of fact and the statements of fact contained in the opinion preceding this order;

*It is hereby ordered*, that William S. Van Hoosear be, and he is hereby directed to reestablish the public utility service of water to his consumers in Castro Valley, within five days of the date of this order, and to continue such public utility service at the rates herein found to be the legal rates in effect.

*It is hereby further ordered*, that William S. Van Hoosear be, and he is hereby directed to file the above rate with this Commission within ten (10) days of the date of this order.

Dated at San Francisco, California, this twenty-third day of December, 1919.

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DECISION No. 6988.

M. H. STITT

vs.

YOLO WATER AND POWER COMPANY.

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Case No. 1395.

Decided December 26, 1919.

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Arthur B. Eddy, for Complainant.

L. J. Schuman, for Yolo Water and Power Company.

BY THE COMMISSION.

#### OPINION.

The complaint in the above entitled matter was brought by M. H. Stitt in behalf of himself and some thirty-one other ranchers residing in the vicinity of Rumsey, Yolo County, California, asking that the Commission make an order requiring the Yolo Water and Power Company to furnish water for the irrigation of 1811.27 acres of land owned by them. Complainants ask to have the company deliver the water at the head of the so-called Spring Valley Ditch, at a point on Cache Creek

approximately two and one-half miles from the town of Rumsey. Complainants intend to install the necessary diversion dam, make the necessary enlargements of the ditch in question, and maintain and operate it at their expense.

Yolo Water and Power Company in its answer agreed to extend service to complainants. However, the Commission wished to be more fully advised in the premises, and a public hearing was held in this matter at Woodland, in order that all interested parties might be given an opportunity to be heard. The Water Users Association and the Rice Growers Association were represented at the hearing, and indicated that they had no objection to the proposed action on the part of the company.

#### ORDER.

M. H. Stitt having complained against the Yolo Water and Power Company as herein set out, a public hearing having been held, and the Commission being fully advised in the premises;

*It is hereby ordered*, that Yolo Water and Power Company be and it is hereby directed to furnish the complainants involved herein with water for irrigation purposes, said water to be delivered at the head of the so-called Spring Valley Ditch on Cache Creek, with measuring weir to be installed at the Haskell place, which is located on the Spring Valley Ditch at a point approximately two miles below its junction with Cache Creek; all necessary work and expense involved to be borne by the land owners receiving such water.

Dated at San Francisco, California, this twenty-sixth day of December, 1919.

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#### DECISION No. 6989.

IN THE MATTER OF THE APPLICATION OF KATHERINE C. HENDERSON TO SELL AND H. ALLEN RISPIN TO PURCHASE THE WATER WORKS KNOWN AS SOQUEL WATER WORKS, AND THE ELECTRIC LIGHT BUSINESS AT CAPITOLA, CALIFORNIA.

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Application No. 5025.

Decided December 26, 1919.

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Walter H. Linforth, for Katherine C. Henderson.

Frank C. Reanier, for H. Allen Rispin.

BY THE COMMISSION.

#### OPINION.

Applicants seek authority to transfer a water system and electric distributing system serving the hotel and cottages formerly owned by

Mrs. Henderson and other consumers in the vicinity. The property in question is located at Capitola, Santa Cruz County.

A public hearing was held by Examiner Westover at Santa Cruz. The water system is described in Decision No. 6325 of May 12, 1919. Electric energy is purchased from Coast Counties Gas and Electric Company and distributed over a system originally constructed to serve the hotel and cottages, as was the water system.

Mr. Rispin bought both the water and electric systems as of July 31, 1919, with the hotel and cottages, for a lump sum, no price being fixed upon either of the systems in question. It appears from the testimony that he has since constructed a concrete dam in Bates Creek, which will afford adequate pressure in all parts of the water system, and that this improvement when completed by installing gates will have cost about \$7,000. He has also arranged to lay about 6600 feet of new pipe line at an estimated cost of \$12,000 to \$15,000. These improvements when installed will give greatly improved service. It appears from the testimony that the purchaser is willing and financially able to give service equal to or better than that afforded by the seller and that the transfer should be authorized and appropriate conveyance hereafter made by the parties.

#### ORDER.

Katherine C. Henderson having applied for authority to transfer to H. Allen Rispin the water works owned and conducted by her, known as Soquel Water Works, and the electric distributing system owned by her, both located in and about Capitola, Santa Cruz County, and a public hearing having been held thereon and it appearing to be for the public interest that the said transfer be authorized;

*It is hereby ordered*, that said Katherine C. Henderson be and she is hereby authorized and empowered to hereafter convey to said H. Allen Rispin said water system known as Soquel Water Works and the said electric distributing system, which said property is more fully described in Division "fourth" of deed from Katherine C. Henderson and H. O. Henderson, her husband, to H. Allen Rispin, dated and acknowledged July 31, 1919, and recorded on or about said date in the office of the county recorder, Santa Cruz County, California, said deed also conveying other property.

This authority extends only to such conveyance as may be executed and delivered within thirty days from date hereof and in pursuance of the authority herein contained, and is granted upon the condition that within ten days thereafter said H. Allen Rispin shall file with the Commission a verified copy of said conveyance.

Dated at San Francisco, California, this twenty-sixth day of December, 1919.

## DECISION No. 6990.

IN THE MATTER OF THE APPLICATION OF H. A. FOLK AND EARL RENN FOR CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY TO OPERATE PASSENGER SERVICE BETWEEN THE TOWNS OF SAN JOSE, SANTA CLARA, CUPERTINO AND SARATOGA, SANTA CLARA COUNTY, CALIFORNIA.

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Application No. 5087.

Decided December 26, 1919.

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CERTIFICATES—AUTO STAGE LINES—COMPETITION.—A certificate to operate an auto stage line will not be issued for the entire route applied for when it is shown that a portion of the proposed route is already being adequately served by an existing transportation company and that the traffic available or which could be developed does not warrant the establishment of the additional service.

*H. A. Folk*, for Applicants.

*Wm. F. James*, for Peninsular Railway and San Jose Railroad, Protestants.

BY THE COMMISSION.

**ORDER.**

H. A. Folk and Earl Renn, partners in business, have petitioned the Railroad Commission for an order declaring that public convenience and necessity require the operation by them of an automobile stage line as a common carrier of passengers between San Jose, Santa Clara, Cupertino and Saratoga, all in Santa Clara County.

A public hearing on this application was conducted by Examiner Handford at San Jose on November 26, 1919, the matter was duly submitted, and is now ready for decision.

Applicant proposes to charge rates in accordance with a schedule marked Exhibit "A" and filed with the application in this proceeding, and to operate on a schedule leaving Saratoga at 7 a.m. and every two hours thereafter until 5 p.m.; leaving San Jose at 8 a.m. and every two hours thereafter until 6 p.m. Above schedules to be operated daily, with additional trips leaving San Jose on Saturdays and Sundays at 10.30 p.m. The equipment proposed to be used consists of one Packard automobile, twelve-passenger capacity, licensed by State Motor Vehicle Department under license No. 454365.

Applicant proposes a route San Jose to Santa Clara via West Santa Clara street; Santa Clara to Lawrence road crossing at Homestead road via Homestead road; Lawrence road to Cupertino via Homestead and Mountain View road; Cupertino to Saratoga via Mountain View road.

A number of witnesses testified that the granting of the application would serve a demand for transportation on the part of residents on



the Homestead and Mountain View roads; that residents on such highways are from three-quarters to two miles from the transportation facilities offered by the interurban railway of the Peninsular Railway Company. The route proposed by the applicants would serve a territory between San Jose and Cupertino on the Homestead road which is not adequately served by the line of the Peninsular Railway located on Stevens Creek road and extending in a generally westerly direction from San Jose through Cupertino to the station of Monte Vista.

This application is opposed by the Peninsular and San Jose Railways on the basis that adequate service at reasonable rates is available for the public over the route for which applicants desire a certificate, and that although the service proposed by applicants will in some instances pass the doors of prospective patrons that the general good of the community is best served by the facilities offered by the rail line. Protestant directs attention to the alleged fact that its operations are conducted at a loss and return no interest on the invested capital and that the encroachment of motor carriers paralleling and duplicating the service now given will render the rail lines unable to continue adequate service to a larger number of people than those who would be benefited by the authorization of the line herein sought by applicants. Protestant also claims that recently rates have been reduced and additional service has been added for the convenience of patrons, that cars are operated at later hours than proposed by applicants and that the late cars return no profit from their operation but are run to meet the limited public demand for service.

A comparison of the rates proposed by applicant with the existing rates of protestants is as follows:

	Applicant's rate		Peninsular Rail- way rate		San Jose Rail- road rate	
	One way	Round trip	One way	Round trip	One way	Round trip
San Jose and Santa Clara.....	\$0.10	\$0.20			\$0.06	\$0.12
San Jose and Cupertino.....	.20	.30	\$0.20	\$0.40		
San Jose and Saratoga.....	.25	.40	.20	.40		

Special round trip rates are available over the line of the Peninsular Railway on Sundays and holidays and commutation and school tickets are available at rates materially lower than the one way and round trip rates as above.

We have carefully considered all the evidence in this proceeding and are of the opinion that the granting of the desired certificate is not justified as applied for. There was no showing on behalf of applicant that the local service of protestant companies between Santa Clara and

San Jose was not fully adequate to care for all reasonable demands of the public. We believe that the public residing on the Homestead road between Santa Clara and Cupertino are entitled to the service proposed to be rendered by applicants herein, but that the territory between Cupertino and Saratoga is reasonably served by the facilities of the Peninsular Railway and that the duplication of facilities between such points would result in weakening the ability of the existing authorized carrier to render the character of service now being performed. No new business appears to be in prospect for development if an additional carrier were to be authorized between Cupertino and Saratoga, and we are of the opinion that no authorization should be given over this portion of the route.

The Railroad Commission hereby declares that public convenience and necessity require the operation by H. A. Folk and Earl Renn, partners in business, of an automobile stage line as a common carrier of passengers between San Jose and Cupertino; provided, however, that no local passengers between Santa Clara and San Jose may be carried, the facilities of San Jose Railroads being adequate to care for the demands of travel between such points. It is further provided that no transfer or assignment of the rights and privileges hereby granted may be made unless the written consent of the Railroad Commission to such transfer or assignment has first been secured.

*It is hereby ordered*, that applicants, Folk and Renn, shall, within ten days from the date of service of this order, file with the Railroad Commission an acceptance of the certificate hereby granted, such acceptance to state the date upon which operation of the line hereby authorized will commence, which date shall be not less than thirty days from the date of service of this order.

*It is hereby further ordered*, that no vehicle may be operated under this certificate unless such vehicle is owned by the applicants herein or is leased by such applicants under a contract or agreement on a basis satisfactory to the Railroad Commission.

The Railroad Commission reserves the right to make such other and further orders in this proceeding as to it may seem just and proper or as in its opinion the public convenience and necessity may demand.

Dated at San Francisco, California, this twenty-sixth day of December, 1919.

## DECISION No. 6992.

IN THE MATTER OF THE APPLICATION OF THE SIERRA AND SAN FRANCISCO POWER COMPANY FOR AUTHORITY TO INCREASE RATES.

Application No. 3958.

Decided December 27, 1919.

**ELECTRIC RATES—SURCHARGES—WHOLESALE SERVICE.**—A surcharge established for wholesale service for a public utility electric company is clearly applicable to a wholesale consumer receiving service subsequent to date such surcharge was made effective.

**RELEASE OF TERRITORY—COMPENSATION FOR.**—An electric utility, which, under agreement, releases a portion of its territory to another utility of a like character for a stated compensation, is entitled to an increase in such compensation in proportion to the increase in rates which the invading utility is permitted to establish to consumers in relinquished territory. Payment of a percentage on rates collected is held to include not only the base rate but a percentage of whatever surcharge may be established.

*H. F. Jackson*, for Sierra and San Francisco Power Company.

*S. Waldo Coleman* and *F. Emerson Hour*, for Coast Counties Gas and Electric Company.

*DEVLIN*, Commissioner.

**OPINION ON SUPPLEMENTAL APPLICATION.**

In this proceeding the Commission is asked by Sierra and San Francisco Power Company to establish the proper surcharge to be applied to the rate which it now charges the Coast Counties Gas and Electric Company for electric energy, and to adjudicate the amount of compensation which Sierra and San Francisco Power Company shall pay to Coast Counties Gas and Electric Company for the right to supply electricity to the Old Mission Portland Cement Company.

The parties involved herein having been unable to reach an agreement upon these matters, the issues were thereupon submitted to the Commission and a hearing held. The evidence being fully before us, the matter is now ready for decision.

Sierra and San Francisco Power Company supplies Coast Counties Gas and Electric Company with a certain portion of its energy requirements, and, in addition, supplies the Old Mission Portland Cement Company, both from its San Juan substation in San Benito County. The present arrangements grew out of a dispute between the parties as to territorial rights in San Benito County, which were treated at length in Case No. 1015 and Applications Nos. 2624 and 2626 before this Commission. Decision No. 4116 established the respective rights of these utilities, following which a joint memorandum of agreement was drawn up by them, dated March 17, 1917, which was submitted to

the Commission, and the two utilities were thereupon authorized to carry out this agreement in Decision No. 4253 dated April 17, 1917.

The above mentioned joint memorandum of March 17, 1917, is the working agreement between the Sierra company and the Coast Counties company and provides, among other things, for the rate to be charged by Sierra company to Coast Counties company for electricity, and further provides that:

*"For a period of three years from the date when Old Mission Portland Cement Company first takes power from the San Juan substation, Sierra company shall furnish Old Mission Portland Cement Company, direct, with all of its power requirements through the San Juan substation, paying to Coast Counties company 5 per cent of all the bills which Sierra company may collect from Old Mission Portland Cement Company for energy supplied to the latter."*

In the original proceeding, to which the present action is supplemental, the Commission authorized the Sierra and San Francisco Power Company, by Decision No. 5867, dated October 22, 1918, to charge and collect certain surcharges in addition to the rates set forth in its schedules and contracts. At the time the original proceeding was heard and the decision therein handed down Coast Counties Gas and Electric Company was not a consumer of Sierra and San Francisco Power Company although the above mentioned joint memorandum of March 17, 1917, was in effect and the parties thereto were engaged in carrying out terms of their agreement.

In Decision No. 5867 the Commission established a surcharge of  $2\frac{1}{2}$  mills per kilowatt hour for energy sold to the Coast Valleys Gas and Electric Company and a surcharge of  $1\frac{1}{2}$  mills per kilowatt hour for energy sold to other electric utilities. These surcharges could not then and do not now apply to the Coast Counties Gas and Electric Company inasmuch as the specific service to the Coast Counties Company was not considered by the Commission and that company was not a consumer of the Sierra company at the time these matters were first heard and decided. Service was first supplied to the Coast Counties company on or about May 29, 1919.

It is clear that the purpose and intent of the order in Decision No. 5867, in authorizing a higher surcharge for the Coast Valleys Gas and Electric Company than for the other utilities supplied by the Sierra company, was not only to provide the additional necessary revenue but also to remove an obvious discrimination as between the low rate charged to the Coast Valleys company as compared with the rates charged to other public utilities.

It is shown by the evidence herein that the rate charged by Sierra company to Coast Counties company, here under consideration, is, under actual conditions of delivery, at least as low as, if not less than, the rate charged the Coast Valleys company. If the Coast Counties

company had been an actual consumer of the Sierra company at the time the surcharges were originally established, there is no doubt in my mind but that the  $2\frac{1}{2}$  mill surcharge authorized for Coast Valleys company would have been likewise applied to the Coast Counties service.

The increased costs of operation which prevailed at the time of the original establishment of the surcharges in this proceeding now hold at least to the same degree as then and have been in effect at all times and at such times as Coast Counties company has received this service.

The conclusion is evident, then, that the proper surcharge applicable to the rate charged by Sierra company to Coast Counties Gas and Electric Company is  $2\frac{1}{2}$  mills per kilowatt hour, and I shall recommend that the same be made effective from and after the date that the Coast Counties company first regularly received electric service from the Sierra company.

The payment to Coast Counties company of 5 per cent of all the bills which Sierra company collects from Old Mission Portland Cement Company is clearly in the nature of payment for the interim surrender of territorial rights by Coast Counties company to Sierra company.

The bills for energy paid by the Old Mission Portland Cement Company to the Sierra company now include a surcharge authorized by this Commission. If the Coast Counties company had been permitted to serve the Old Mission Portland Cement Company, it would have received additional revenue in the form of surcharges on this service, for the Commission has already authorized it to collect such surcharges. To this extent the business of the Old Mission Portland Cement Company, which it has temporarily released to the Sierra company, represents a greater gross loss to it under present conditions than at the time the service was originally established, and it is proper that it should, under present conditions, receive from the Sierra company a greater compensation for such release.

The joint memorandum of March 17, 1917, between the parties is clear and definite as to the amount involved in this 5 per cent, and I conclude that the said 5 per cent of all bills applies to both the rate and the surcharge which the Old Mission Portland Cement Company pays to the Sierra company.

Both Sierra company and Coast Counties company have introduced into the present proceeding other issues which I do not deem relevant at the present time. Such issues affect the relative cost of energy to be supplied by the Sierra company as compared with the cost of the other energy which the Coast Counties company purchases from Pacific Gas and Electric Company. That the payment of the  $2\frac{1}{2}$  mill surcharge on the Sierra company's rate makes it more economical for the Coast Counties company to purchase from the Pacific Gas and Electric

Company is an issue which I think has but remote bearing upon the question of the proper surcharge under existing facts. If the action of this Commission produces such an effect, the recourse of the Coast Counties company is a matter subsequent to and not correlated with the fixing of the surcharge. While able briefs are submitted by both parties upon the main and other issues, the Commission's attention is more properly confined to the disposition of the two main issues hereinabove set forth.

I recommend the following form of order:

**ORDER.**

Sierra and San Francisco Power Company having applied to the Railroad Commission for the establishment of a surcharge to apply to the rate now charged by it to Coast Counties Gas and Electric Company, and to ascertain the compensation to be paid to Coast Counties Gas and Electric Company by Sierra and San Francisco Power Company for service to the Old Mission Portland Cement Company;

The Railroad Commission of the State of California, following the usual hearing and submission of evidence, hereby finds as a fact that, under present conditions, a surcharge of  $2\frac{1}{2}$  mills is a proper surcharge for the Sierra and San Francisco Power Company to add to the rate now charged by it to Coast Counties Gas and Electric Company, and that Sierra and San Francisco Power Company should pay to Coast Counties Gas and Electric Company five (5) per cent of the bills which Sierra and San Francisco Power Company collects from the Old Mission Portland Cement Company, including 5 per cent of the surcharge applicable thereto.

Based on the foregoing findings of fact and on the other findings of fact contained in the opinion preceding this order;

*It is hereby ordered*, that Sierra and San Francisco Power Company be and it is hereby authorized to charge and collect, in addition to the rate set forth in the agreement of March 17, 1917, a surcharge of  $2\frac{1}{2}$  mills per kilowatt hour for all energy sold to Coast Counties Gas and Electric Company from and after the date of the first regular deliveries of energy to Coast Counties Gas and Electric Company.

*It is hereby further ordered*, that the payments by Sierra and San Francisco Power Company to Coast Counties Gas and Electric Company for the right to supply the Old Mission Portland Cement Company be in accordance with the hereinbefore stated findings of this Commission, from and after such time as the surcharge of Sierra and San Francisco Power Company was first added to the bills of the Old Mission Portland Cement Company.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-seventh day of December, 1919.

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DECISION No. 6993.

IN THE MATTER OF THE APPLICATION OF SAN JOAQUIN LIGHT AND POWER CORPORATION, FOR AN ORDER AUTHORIZING THE ISSUANCE AND SALE OF BONDS.

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Application No. 4809.

Decided December 29, 1919.

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BY THE COMMISSION.

**FIRST SUPPLEMENTAL ORDER.**

Good cause appearing;

*It is hereby ordered*, that the order in Decision No. 6595, dated August 29, 1919, be, and it is hereby, amended so as to permit San Joaquin Light and Power Corporation to sell at not less than 94.5 per cent of their face value, plus accrued interest, \$494,000 of the \$1,250,000 of bonds, the issue of which was authorized by the Commission in Decision No. 6595, dated August 29, 1919.

*It is hereby further ordered*, that the order in Decision No. 6595, dated August 29, 1919, shall remain in full force and effect except as modified by this first supplemental order.

Dated at San Francisco, California, this twenty-ninth day of December, 1919.

## DECISION No. 6997.

IN THE MATTER OF THE APPLICATION OF THE INTERSTATE TELEGRAPH COMPANY, A CORPORATION DOING A GENERAL TELEGRAPH AND TELEPHONE BUSINESS IN THE STATE OF CALIFORNIA, FOR AUTHORITY TO APPLY TO ITS INTERCOMPANY TELEPHONE TOLL BUSINESS THE SCHEDULE AUTHORIZED BY THE POSTMASTER GENERAL FOR INTERCOMPANY BUSINESS.

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Application No. 4843.

Decided December 29, 1919.

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*I. B. Potter*, for Applicant.

BY THE COMMISSION.

**OPINION.**

Interstate Telegraph Company asks authority to apply its present toll rates in effect over its system to its part of toll business handled jointly by its lines and the lines of connecting companies.

A public hearing upon the application was held by Examiner Westover at Victorville December 9. Although applicant's consumers were notified of the hearing, no one appeared to protest against the application.

Applicant operates in Mono, Inyo, Kern and San Bernardino counties in a sparsely settled territory lying east of the Sierra Nevada Mountains and north of the San Bernardino Mountains. Of its total gross operating revenue reported for 1918, \$53,310.37 represent gross toll service revenue, or nearly 75 per cent of its total revenue of \$71,256.56.

In the application of the present intracompany and intercompany rates covering the use of petitioner's lines for long distance telephone service, discrimination results in that a message under the former class of rates takes a higher rate than under the latter class over the same line or route in the same direction, the shorter being included within the longer distance. One purpose of this petition is to remove this discrimination, which is in violation of the provisions of section 24 (b) of the Public Utilities Act.

Applicant showed the result of a study of 10,935 toll tickets covering the period from January 21, 1919, to April 20, 1919. The average revenue per message under its toll rates in effect just prior to said period would have been 52.5 cents. Under Order No. 2495 issued by the Postmaster General and effective January 21, 1919, establishing uniform toll rates, the average revenue per message was reduced to 42.4 cents. Upon a showing of the effect of the new toll rates the



Postmaster General, by order effective May 31, 1919, authorized applicant to establish its present toll rates, applicable upon its lines only. This is referred to in the application as intracompany business. These rates would have produced an average revenue per message of 63 cents for the period referred to. During the same three-months period, applicant's portion of revenue derived from toll messages transmitted in connection with other lines, amounted to \$2,193 at the uniform intercompany toll rates then in effect. It estimates that if its new toll rates (intracompany rates) had been applied to its portion of its intercompany toll business during the three-months period referred to, it would have resulted in an increase in revenue of about \$1,050, or at the rate of \$4,200 per year. It estimates that the granting of the present application will have substantially the same effect.

Applicant reports net revenues from its entire business for 1916, \$5,665.51; for 1917, \$11,197.98; for 1918, \$3,652.58; and for the first half of 1919 a deficit of \$3,326.55. By increase in company's toll rates authorized by the Postmaster General, effective June 1, 1919, this deficit was apparently reduced to \$1,600.75 on October 1, 1919, but no depreciation was allowed for the last quarter. Its allowance for depreciation never exceeded \$5,000 per year.

Applicant's balance sheet as of June 30, 1919, shows capital installed of \$795,083.17 with a net corporate deficit of \$13,681.77. The company has never paid a dividend during its eight years of operation.

Applicant estimates that if the increased rates herein applied for had been in effect during the last five months of 1919 the operating deficit of \$3,326.55 above referred to would have been converted into an operating profit of approximately \$3,154, although a necessary increase in wages became effective during July, 1919, which it estimates would increase its operating expenses \$780 for the remainder of the year 1919. Applicant claims that if rate increases were sought sufficient in amount to allow for a reasonable depreciation and return on investment, the resulting rates would be prohibitive and result in loss of business. However, the reasonableness of its rates as a whole is not in question in this proceeding and it is not necessary here to discuss the elements which should be considered in determining just and reasonable rates.

It appears that the application should be granted in order to remove discrimination, prevent a violation of the long and short haul clause in instances which may arise under section 24 (b) of the Public Utilities Act, and to afford applicant needed financial relief.

**ORDER.**

Interstate Telegraph Company having applied for the authority hereinafter granted in this order, and a public hearing having been held thereon, and it appearing that the request is reasonable and should be granted;

*It is hereby ordered*, that Interstate Telegraph Company be and it is hereby authorized and empowered to apply and hereafter charge and collect for its part of telephone toll service rendered jointly by its lines and the lines of connecting companies its present toll rates in effect over its system for intracompany toll business authorized by the Postmaster General and heretofore filed with the Commission.

Dated at San Francisco, California, this twenty-ninth day of December, 1919.

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DECISION No. 6998.

ETHEL ELLIS ET AL.

*vs.*

GEORGE SCHMIDT AND THE HAYWARD HEATH WATER ASSOCIATION.

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Case No. 1105.

Decided December 31, 1919.

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**WATER COMPANIES—MUTUAL—JURISDICTION.**—A water plant constructed and operated under an agreement between the operator and consumers that such system would be run at cost to consumers until a mutual corporation could be organized to take it over, is held not to be a public utility subject to the jurisdiction of this Commission.  
Complaint dismissed.

*C. W. White*, for Complainants Ethel Ellis and F. C. Leach.

*H. W. Brunk* and *L. Jefferson*, for Defendants.

**BY THE COMMISSION.**

**OPINION.**

The complaint in the above entitled proceeding alleges in effect that defendants are engaged in the business of supplying water for domestic and irrigation purposes, as public utilities, to the residents of Hayward Heath, Alameda County, and that the water service so furnished is inadequate. Complainants ask that defendants be required to enlarge facilities for the production and delivery of water and furnish an adequate quantity.

Defendants' answer is a general denial of all of the allegations of the complaint, it being stated that the water system in question is not being operated as a public utility.

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Complainants herein are owners of or have contracted to purchase land in a certain tract known as Hayward Home Farm Tract, subdivision No. 1, and are supplied with water by George Schmidt, the successor in interest of the Modern Homestead Association. Mr. Schmidt, or his predecessor in interest, contracted with all those receiving water from this system, to operate said system until such time as a mutual corporation was organized. He further agreed to deliver the water at cost, which cost included cost of operation and maintenance.

After a careful consideration of all the evidence, it appears that neither of the defendants herein is operating a public utility water system, as defined by the Public Utilities Act, or as interpreted by recent decisions of the higher courts.

#### ORDER.

Ethel Ellis and others having made complaint against George Schmidt and the Hayward Heath Water Association as outlined in the foregoing opinion, public hearings having been held, and the Commission being fully informed in the premises;

*It is hereby ordered*, that the complaint in the above entitled proceeding be, and it is hereby dismissed for lack of jurisdiction.

Dated at San Francisco, California, this thirty-first day of December, 1919.

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#### DECISION No. 6999.

IN THE MATTER OF THE APPLICATION OF MERCHANTS ICE AND COLD STORAGE COMPANY, NATIONAL ICE AND COLD STORAGE COMPANY, CALIFORNIA ICE COMPANY, OAKLAND ICE AND COLD STORAGE COMPANY, WATSONVILLE ICE AND COLD STORAGE COMPANY, CONSUMERS' ICE AND COLD STORAGE COMPANY, LODI ICE AND COLD STORAGE COMPANY, CHICO ICE AND COLD STORAGE COMPANY, UNION ICE AND STORAGE COMPANY, THE UNION ICE COMPANY OF BAKERSFIELD, AND THE UNION ICE COMPANY OF STOCKTON, TO INCREASE RATES FOR THE STORAGE OF POTATOES.

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Application No. 5157.

Decided December 31, 1919.

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*J. J. Flynn, Wm. A. Sherman, and C. M. Gardner*, for Applicants.

MARTIN, *Commissioner*.

#### OPINION.

Applicants herein request authority to increase their present rates of \$8 (applicable at Chico, Lodi, Oakland, San Francisco, Stockton and Watsonville) and \$8.50 (applicable at Bakersfield and Sacramento)

per ton per season of approximately eight months for the cold storage of potatoes to \$10 per ton per season, citing in justification of the higher charge recent increases in operating costs with particular reference to labor and fuel oil. Specifically, it is alleged that the cost of labor necessary in the operation of applicants' cold storage plants has advanced since October 1, 1919, from \$4 and \$4.50 per day to a minimum of \$5.50 for ordinary labor and in the same proportion with reference to other classes of employees. Attention is also directed by applicants to their present tariff rate of \$10 per ton per season of eight months for storing onions, the labor cost of handling being at the present time as it is stated, substantially the same as that for handling potatoes.

The so-called "Food Warehousemen Act" placing cold storage companies under the jurisdiction of the Railroad Commission became effective July 22, 1919, at which time the existing schedules of said companies were filed showing rates, rules and regulations then in effect. A large number of such utilities, including, with one exception, the ten companies represented in this proceeding, in addition to their activities as food warehousemen, also manufacture and sell ice. The percentage of the public utility business was roughly estimated by one of applicants' witnesses at 40 per cent, but there have been as yet no accurate segregations that would enable applicants to show by financial statements either the appraised value of the property devoted to the public use, or the receipts and expenditures involving such use during the five months period of control by this Commission.

A hearing on the applications was held at San Francisco on December 15, 1919, following notice to the public through commercial bodies in each of the communities affected and direct mail to a number of growers, dealers and associations; but no one appeared at the hearing to oppose the increases sought. In fact, the testimony offered by applicants indicated an entire willingness on the part of those storing potatoes by the season to pay the proposed rate of \$10 per ton for the service. It was also shown by applicants' witnesses that the present rates of \$8 and \$8.50 respectively per ton per season were established at a time antedating the present high labor cost and when the storage of potatoes under low temperatures was largely experimental, being accepted as a "fill in" at a time when general stocks were running low and without due regard to cost of the service. The manner of handling potatoes placed in cold storage has materially changed within the last few years, patrons now demanding that bags be placed in racks for airing thoroughly, as is customary with regard to onions, in lieu of the decidedly cheaper method of piling in dump as previously practiced. More time and material are thus required and additional space occupied. Potatoes are now offered for storage in commercial quantities

for periods that bring them into competition for space with other commodities and under the higher operating costs already mentioned. Obviously an adjustment of the present rate is in order.

From all the evidence and conditions existing, I believe that applicants are entitled to the increased rates requested, and recommend the following form of order:

#### ORDER.

Merchants Ice and Cold Storage Company, National Ice and Cold Storage Company, California Ice Company, Oakland Ice and Cold Storage Company, Watsonville Ice and Cold Storage Company, Consumers' Ice and Cold Storage Company, Lodi Ice and Cold Storage Company, Chico Ice and Cold Storage Company, Union Ice and Storage Company, the Union Ice Company of Bakersfield, and the Union Ice Company of Stockton, having made application to this Commission for authority to increase their present rates for the cold storage of potatoes, a hearing having been held thereon, the matter having been submitted and being now ready for decision;

*It is hereby found as a fact*, that the season rates now in effect for carrying potatoes in cold storage at applicants' warehouses are unjust and unreasonable for the service performed.

Basing its order upon the foregoing finding of fact;

*It is hereby ordered*, by the Railroad Commission of the State of California, that the above named food warehousemen be, and they are hereby, authorized to publish and file within twenty (20) days from date hereof a rate of \$10 per ton per season for storing potatoes under standard low temperatures now in vogue for this class of service.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this thirty-first day of December, 1919.

## DECISION No. 7000.

GEORGE H. DANT,

*vs.*

AARON M. BECHTEL.

Case No. 1338.

Decided December 31, 1919.

**JURISDICTION—WATER COMPANIES.**—An individual who has constructed and operates a water distributing system, and exacts compensation for such service, is a public utility subject to the jurisdiction of the Railroad Commission irrespective of claims that such system was constructed for convenience only.

**WATER SERVICE—REFUSAL OF.**—A water utility must meet all reasonable demands made upon it for service and can not refuse service merely on personal grounds outside the operations of the utility. Defendant directed to render water service to complainant at regular rates established for such service.

MARTIN, *Commissioner*.**OPINION.**

The plaintiff herein, George H. Dant, who conducts a small business in the unincorporated town of Empire, Stanislaus County, filed a complaint with the Railroad Commission against Aaron M. Bechtel, alleging that said Bechtel refused to furnish him with water for domestic use.

Defendant operates a small pumping plant and furnishes water for domestic use to seven or eight neighbors and himself in a portion of the town of Empire. The said plant consists of a windmill plunger pump with 3-inch by 16-inch cylinder, driven by a two-horsepower electric motor. The water level in the well stands about 40 feet below the surface and the water is raised to a 5000 gallon galvanized iron tank at an elevation of approximately 33 feet to bottom of tank.

A public hearing was held at Empire on November 7, 1919.

It was testified that the plaintiff was formerly a tenant of defendant, occupying a small building across the road from his present place, wherein he conducted his business and received his water supply from defendant. A personal controversy arose between said plaintiff and defendant, which resulted in the plaintiff moving across the highway to his present location.

Defendant admitted that he refused to furnish the desired water at plaintiff's new location for the alleged reason that his present supply of water is limited, and further that he has neither the desire nor financial ability to enlarge and extend said supply. The pump is operated between four and six hours daily—two to four hours in the morning and two hours in the afternoon. The evidence is conflicting on the point as to whether the present supply is sufficient to include

the needs of plaintiff. However, there is no doubt that defendant could easily increase the capacity of his plant by pumping longer hours. This fact is brought out in the report of the Commission's engineer and was admitted by the defendant at the hearing.

Several years ago defendant, in order to enhance the marketability of a tract of land which he had cut into lots, arranged to furnish the necessary water to be used on said lots. It is claimed that it was not defendant's intention to operate as a public utility, but for convenience only. However, it is a fact that at that time and ever since he has exacted compensation for the water so furnished, at rates on file with the Commission. There is no question that defendant operates a public utility as defined by the Public Utilities Act, and is subject to the jurisdiction of the Railroad Commission.

Defendant stated that it will be necessary to run a 300-foot service pipe to connect with complainant's premises. At the present time, there is a one-inch service pipe running past the premises of plaintiff which supplies the residence of a neighbor. To attach to this pipe and serve plaintiff, it would only be necessary to make an extension of fifteen feet of pipe. The owner of said pipe line (a neighbor) has offered to allow plaintiff to make this connection. Plaintiff has agreed to make same at his own expense.

At the present time, and for a considerable time past, plaintiff has been obtaining water by carrying it in buckets from a neighbor's place, about one-quarter of a mile distant.

It is incumbent upon every public utility to meet all reasonable demands for service, and refusal to furnish service can not be based on mere personal grounds outside the operations of such public utility. If the revenue is not sufficient to enable a public utility to render good service and to meet all reasonable demands, application should be made to the Railroad Commission for such relief as may be necessary.

From the evidence, I find that plaintiff is entitled to service at the usual rate, without discrimination.

#### **ORDER.**

A public hearing having been held in the above entitled case, evidence having been taken, and the case being submitted and now ready for decision ;

*It is hereby ordered,* that defendant serve water to the premises of plaintiff and accept payment at the regular rates established by defendant for such service, without discrimination.

Such service to plaintiff is to be furnished immediately upon plaintiff providing means for carrying water to his premises.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this thirty-first day of December, 1919.

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DECISION No. 7006.

IN THE MATTER OF THE APPLICATION OF BENICIA WATER COMPANY, A CORPORATION, FOR AN EMERGENCY RATE FOR WATER FURNISHED TO THE CITY OF BENICIA AND ITS INHABITANTS.

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Application No. 4343.

Decided January 8, 1920.

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BY THE COMMISSION.

**FIRST SUPPLEMENTAL ORDER.**

This Commission having, by Decision No. 6223, dated March 26, 1919, granted Benicia Water Company an emergency rate to apply until January 1, 1920, in order to allow the company to recoup its losses occasioned by the extraordinary expense of providing an emergency supply of water during a period of extreme drought, and the company having filed a statement with the Commission showing that the total cost of the emergency supply was \$30,758.62, and that the emergency rate has produced \$15,679.22, to November 30, 1919, for the amortization of the extraordinary expense;

*It is hereby ordered*, that Benicia Water Company be and it is hereby authorized and directed to continue to collect the emergency rate heretofore authorized, by Decision No. 6223, until further order of this Commission.

Dated at San Francisco, California, this 8th day of January, 1920.

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DECISION No. 7007.

IN THE MATTER OF THE APPLICATION OF THE HAYWARD WATER COMPANY FOR AN ORDER INCREASING RATES.

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Application No. 3992.

Decided January 8, 1920.

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**WATER UTILITIES—DISTRIBUTION LOSSES—CORRECTION OF.**—A water utility showing losses approximating 55 per cent in its distribution system is required to take immediate steps towards improving and repairing its mains, thereby materially reducing the expenditure necessary to the delivery of water to its consumers.



Revised schedule of meter rates established effective for meter readings made on and after January 1, 1920.

*Pillsbury, Madison and Sutro*, by Felix T. Smith, for Applicant.

*C. W. White*, for the board of trustees of the town of Hayward and the board of supervisors of Alameda County.

BY THE COMMISSION.

#### OPINION.

Hayward Water Company, the applicant in the above entitled proceeding, is a public utility water company engaged in the business of supplying water for domestic and irrigation purposes in the town of Hayward and vicinity. Applicant states that its present rates are not producing the interest return to which the Commission in its Decision No. 2643, "*In the Matter of the Application of Hayward Water Company for Authority to Increase Rates*," Application No. 1747, decided July 30, 1915 (Vol. 7, p. 731, Opinions and Orders of the Railroad Commission of California), found that said applicant was entitled to receive, and that to earn a return of 8 per cent upon its investment, which by said decision was adjudged a fair return, applicant should now be granted authority to make a very substantial increase in rates. Applicant further states that the net income for the six months immediately prior to the date of the application herein, was but \$144.65, and if the present rates remain in effect, the estimates of income and expenses for the next following six months indicate that an actual loss would result.

All water is sold to domestic, industrial and irrigation users by measured rates. The following is a schedule of rates in effect at the present time:

Minimum for 300 cubic feet.....	\$1 00 per month
For use between 300 and 5000 cubic feet.....	25 per 100 cubic feet
For use over 5000 cubic feet.....	15 per 100 cubic feet
Street sprinkling and sewer flushing.....	15 per 100 cubic feet
Fire protection service for the number of hydrants in service July 1, 1914.....	200 00 per month
Additional fire hydrants.....	1 00 per month

This Commission discussed in detail the various features relating to the establishment of rates for this company in its decision in Application No. 1747, *supra*. Evidence as to the increased value of the plant at the present time and changed conditions of operation were submitted at the hearing herein. Protestants in the present proceeding contend that a portion of the land, thirty acres in area, upon which the wells from which applicant's water supply is obtained are located, is unnecessary for the production of a sufficient supply of water for the present consumers. From the evidence it appears that they are justified in this conclusion, and that the entire tract is not now used. Protestants further claimed that the cost of the present

steam driven apparatus should not be included in the rate base, because an electrically driven unit would be more economical of operation. Attention is directed to the fact that this plant was installed at a time when the price of fuel was much less than at present, and it would most assuredly be unfair to applicant to deduct from the rate base and maintenance and operation expense the expenditures incurred because of this plant.

The evidence submitted in Application No. 1747, *supra*, and testimony in this proceeding relating to additions to plant, changed operating conditions, etc., have been carefully considered in their relation to the establishment of a rate base, and it appears that the sum of \$136,000 is a fair amount upon which to compute the interest return to be produced.

Investigation by the Commission's engineers discloses the fact that the operating expenses for the year 1918 were \$17,390.72. The Commission's engineers also submitted an estimate of \$19,000 as the reasonable annual operating expense. This estimate is based upon the past experience of the Hayward Water Company in operating its plant, and also upon the experience of other companies throughout the state, and is reasonable. The increase over 1918 is due to the fact that a contract for fuel oil at a low rate has expired and applicant is now buying at market prices, which are approximately double those heretofore paid. From the data submitted it appears that a replacement fund in the amount of \$1,570 is fair. The rates herein established are designed to produce a sum sufficient to pay operating expenses, depreciation, and a fair return on the rate base.

We desire to call applicant's attention to the great apparent loss of water in its system, which the records show amounted to approximately 55 per cent in 1918. The proper steps should be taken to reduce this loss. If this be done the expenditure per unit of water delivered to consumers would be materially reduced.

#### ORDER.

Application having been made by the Hayward Water Company for authority to increase the rates charged for water, public hearings having been held, and the Commission being fully informed in the matter;

*It is hereby found as a fact*, that the rates now charged by the Hayward Water Company, in so far as they differ from the rates herein established, are unjust and unreasonable and that the rates herein established are just and reasonable.

Basing its order on the foregoing finding of fact and on the further findings of fact contained in the opinion which precedes this order;

*It is hereby ordered*, that the Hayward Water Company be and it is hereby authorized and directed to file with the Railroad Commission of the State of California, within twenty (20) days from the date of this order, the following schedule of rates, to apply to all meter readings and other measurements of water subsequent to January 1, 1920:

<i>Measured Rate.</i>	
Minimum for 300 cubic feet.....	\$1 00 per month
For use between 300 and 5000 cubic feet.....	30 per 100 cubic feet
For use over 5000 cubic feet.....	25 per 100 cubic feet
For street sprinkling and sewer flushing.....	25 per 100 cubic feet
For fire protection service, for the number of hydrants in service on July 1, 1914.....	200 00 per month
Additional hydrants .....	1 00 per month

Dated at San Francisco, California, this eighth day of January, 1920.

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DECISION No. 7008.

IN THE MATTER OF THE APPLICATION OF SOUTHERN CALIFORNIA  
GAS COMPANY FOR AN ORDER AUTHORIZING THE ISSUANCE  
AND SALE OF BONDS.

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Application No. 5191.

Decided January 8, 1920.

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A. E. Peat, for Applicant.

BRUNDIGE, *Commissioner*.

**OPINION.**

Southern California Gas Company asks permission to issue and sell for not less than 93 per cent of their face value, plus accrued interest, \$300,000 of its first mortgage series "C" 6 per cent bonds.

Applicant reports that it has constructed extensions, additions and betterments to its plant costing \$537,855.72 and that it has issued no stock or bonds to pay for such construction.

A. E. Peat, Treasurer and Comptroller of Southern California Gas Company, testified that the company had to date expended considerably more than \$537,885.72 for extensions, additions and betterments against which it has issued no stock or bonds, and that it has financed such construction through the investment of surplus earnings, the issue of short term notes and by incurring other current indebtedness.

The trustee under applicant's mortgage, securing the payment of its bonds, is authorized to certify bonds equal in amount to 85 per cent of the cost of extensions, additions and betterments. The \$300,000 of bonds which applicant now asks permission to issue is considerably less than 85 per cent of the cost of extensions, additions and betterments reported in this application.

A. E. Peat testified that the granting of the application would not be interpreted as an approval of all of the expenditures referred to in the exhibit attached to the petition, but only as an approval of such an amount of expenditures, without specifying any one in particular, as would justify the issue of the \$300,000 under applicant's mortgage.

Applicant intends to use \$185,000 of the proceeds obtained from the sale of the \$300,000 of bonds to pay short term note indebtedness due Farmers and Merchants National Bank, and use the remainder to reimburse its treasury because of earnings expended to pay for the construction of extensions, additions and betterments.

I herewith submit the following form of order:

**ORDER.**

Southern California Gas Company having applied to the Railroad Commission for permission to issue bonds, a public hearing having been held, and the Commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose or purposes specified in this order, and that the expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income;

*It is hereby ordered*, that Southern California Gas Company be, and it is hereby, authorized to issue \$300,000 face value of its first mortgage series "C" 6 per cent bonds, subject to the following conditions:

1. The bonds herein authorized shall be sold by applicant for cash for not less than 93 per cent of their face value, plus accrued interest.

2. Of the proceeds realized from the sale of the bonds herein authorized, applicant shall use \$185,000 to pay a note or notes due Farmers and Merchants National Bank, and referred to in the testimony herein, and the remainder of the proceeds obtained from the sale of said bonds, to liquidate current indebtedness or reimburse its treasury because of earnings expended to pay for the construction of extensions, additions and betterments referred to in the exhibit attached to the petition herein.

3. Southern California Gas Company shall keep such record of the issue and sale of the bonds herein authorized and of the disposition of the proceeds as will enable it to file on or before the twenty-fifth day of each month a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

4. The authority herein granted will not become effective until applicant has paid the fee prescribed in the Public Utilities Act.

5. The authority herein granted will apply only to such bonds as may be issued and sold on or before June 30, 1920.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this eighth day of January, 1920.

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DECISION No. 7009.

IN THE MATTER OF THE APPLICATION OF THE WILLIAMS WATER AND ELECTRIC COMPANY, A CORPORATION, FOR PERMISSION TO INCREASE RATES.

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Application No. 4788.

Decided January 8, 1920.

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*Seth Millington, Jr.*, for Applicant.

*H. M. Alberry*, for Protestants.

*LOVELAND*, Commissioner.

**OPINION.**

The above entitled application is an application brought by the Williams Water and Electric Company, asking for an order authorizing an adjustment and increase in water rates. Applicant delivers water for domestic and irrigation purposes in and in the vicinity of Williams, Colusa County, California, and alleges that its present income from rates is insufficient and noncompensatory.

The rate schedule now in effect was established by this Commission in its Decision No. 835, Application No. 525, decided July 29, 1913, "*In the Matter of the Application of Williams Water and Electric Company for Permission to Establish a Rate for Metered Water Service*" (Vol. 3, p. 203, Opinions and Orders of the Railroad Commission of California), and are as follows:

For the first 1000 gallons or less.....	\$1 00
For each additional 1000 gallons or fraction thereof.....	10

At the public hearing held in this proceeding at Williams, certain consumers appeared and protested against the proposed increase in rates, alleging in effect that the present source of water supply will not produce an adequate quantity for their needs and that applicant's equipment is insufficient to maintain such service, and therefore no rate increase should be granted.

Mr. C. K. Sweet, manager and principal stockholder in this company, testified that the company had installed a new well and pumping equipment which, in his opinion, would increase the quantity of water available, and that it would be sufficient to meet all reasonable demands of the consumers. He admitted, however, that poor service had been rendered in the northern portion of the town, which affects some

twenty-seven consumers, and stated that this condition would be remedied by the installation of a new pipe line.

Applicant is now delivering water to some 150 consumers of which approximately one-half are on a measured basis. It appears that a large portion of these meters are  $\frac{1}{2}$ -inch by  $\frac{3}{4}$ -inch in size, and that this size is too small for the use to which they are being put and should be replaced as soon as practicable by larger meters.

It appears from the protests voiced by those consumers present at the hearing that no objection would be made to an increased rate, provided adequate and satisfactory service is maintained.

Evidence as to the proper rate base upon which to compute the interest return was submitted at the hearing. Applicant contends that an interest return should be provided upon the sum of \$12,000. The Commission's engineers made a thorough investigation of this plant in this respect and it appears from their investigation that this is a reasonable rate base.

An investigation of the operating expenses heretofore incurred by applicant was made by Assistant Hydraulic Engineer R. E. Child, who reported that the 1918 expenditures were \$1,502. This includes only a small sum for the salary of the man operating this plant, and it appears that the allowance for this item should be increased.

The following tabulation sets out the sums which it appears, after a careful consideration of the evidence, should be produced annually :

Operating expenses -----	\$2,050 00
Replacement fund -----	300 00
Interest -----	960 00
Total -----	\$3,310 00

The gross income produced by the present rate schedule was \$2,302 in 1918. It is therefore apparent that applicant is entitled to an increased rate and I shall so recommend.

The record shows that only approximately one-half of the consumers are receiving water on a measured basis. This Commission has expressed the opinion in numerous instances that the only satisfactory method of delivering water is on a metered basis, and I recommend to applicant that it install meters as soon as practicable on those services which are now unmetered. This would reduce waste and conserve water, thus improving service conditions.

I submit the following form of order:

#### ORDER.

The Williams Water and Electric Company having made application for permission to increase rates charged to its consumers, a public hearing having been held thereon, and the Commission being fully apprised in the premises;

*It is hereby found as a fact*, that the rates now charged by the Williams Water and Electric Company are unjust and unreasonable in so far as they differ from the rates herein established, and that the rates herein established are just and reasonable rates to be charged by the Williams Water and Electric Company; and

Basing its order upon the foregoing finding of fact and upon the further statements of fact contained in the opinion which precedes this order;

*It is hereby ordered*, that the Williams Water and Electric Company be, and it is hereby, authorized to file with the Railroad Commission within twenty (20) days from the date of this order, and thereafter to charge the following rates for water served by it to the inhabitants of Williams and vicinity:

*Metered Use.*

1. Monthly minimum payment:	
$\frac{1}{8}$ -inch meter .....	\$1 00
$\frac{3}{4}$ -inch or $\frac{1}{2}$ -inch meter .....	1 25
1-inch meter .....	1 75
1 $\frac{1}{2}$ -inch meter .....	2 00
1 $\frac{3}{4}$ -inch meter .....	2 50
2-inch meter .....	3 50
2. Monthly meter rates:	
First 600 cubic feet per 100 cubic feet .....	\$0 25
Over 600 cubic feet per 100 cubic feet .....	15

*Monthly Flat Rates.*

1. Residences, boarding houses, apartments, lodging houses, tenements or flats of five rooms or less with one bath and one toilet .....	\$1 50
For each additional room .....	25
For each additional bath .....	30
For each additional toilet .....	30
Private garage and one automobile .....	25
For each additional automobile .....	25
For private barn with one horse or cow .....	50
For each additional horse or cow .....	25
2. Sprinkling or irrigation of lawns, shrubbery, etc., per square yard .....	02
3. Blacksmith shops, machine shops, lumber yards, printing offices, bakeries, undertaking parlors, grocery store, dental offices, theaters, warehouses, and butcher shops .....	3 00
4. Drug stores and photograph galleries .....	3 50
5. Bottling works, creameries, slaughter houses and laundries .....	5 00
6. Banks, professional offices, billiard parlors, fraternal halls, club rooms, churches, shoe stores, plumbing shops and all stores not otherwise listed .....	1 50
7. Offices for each room .....	50
8. Restaurants, chop houses and cafes, per unit of seating capacity .....	15
9. Livery stables and feed yards per average number of stock fed, each .....	25
10. Barns in connection with stores, shops, etc., not more than two horses. For each additional horse .....	25
11. Public garages, 6 autos or less .....	3 00
For each additional auto .....	25
12. Soda fountains or ice cream parlors, either alone or in connection with other business .....	2 00
13. Additional for each bath tub, toilet or urinal in Nos. 3 to 12, inclusive .....	30

14. Barber shops per chair.....	1 00
Additional for each bath tub.....	1 00
Additional for each toilet.....	50
Additional for each urinal.....	30
15. Saloons or soft drink establishments.....	3 00
Additional for each toilet.....	50
Additional for each urinal.....	30
16. Hotels:	
Dining rooms, including kitchens.....	2 00
Bedrooms with running water, each.....	25
Each bath tub.....	50
Each toilet.....	50
Each lavatory.....	50
17. Steam engines, per horsepower.....	10
18. Public drinking fountain.....	1 50
19. Public water trough.....	2 50
20. Building work:	
For mortar and to dampen 1000 bricks.....	35
For each barrel of cement.....	15
21. For fire hydrants off 4-inch main or larger.....	1 50
Off main smaller than 4-inch.....	75
22. Street sprinkling per 100 cubic feet.....	15
23. Other public use at metered rates.	
24. Meters shall be installed on fifteen days' notice at the request of any consumer who desires to be charged at meter rates.	
25. The company shall have the right to install a meter on any service connection and thereafter charge meter rates as herein authorized.	

The collection of the above rates is expressly conditioned upon the company furnishing an adequate supply to the consumers.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, this eighth day of January, 1920.

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#### DECISION No. 7011.

IN THE MATTER OF THE APPLICATION OF F. N. FULLER AND A. L. FULLER FOR PERMISSION TO TRANSFER CERTAIN REAL AND PERSONAL PROPERTY SITUATE IN THE TOWNSITE OF LAS FLORES, COUNTY OF TEHAMA, STATE OF CALIFORNIA, KNOWN AS LAS FLORES WATER WORKS.

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Application No. 4714.

Decided January 9, 1920.

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**TRANSFERS—WATER SYSTEMS CONSTRUCTED FOR REAL ESTATE PROMOTION PURPOSES—FINANCIAL ABILITY OF PURCHASER TO OPERATE.**—The Railroad Commission will not authorize the transfer of a small water system constructed solely for the purpose of promoting real estate sales, when it is shown that the proposed purchasers are not in a position financially to operate such system to the best interests of consumers, nor is the system serving sufficient consumers to permit of the employment of a man to conduct its operation. Transfers of water systems will not be authorized when it appears that such transfer is



clearly an attempt on the part of a real estate dealer to escape the responsibility which he owes residents of a tract whom he induced to purchase lots by promise of an adequate water supply.

Application denied.

W. A. Fish, for Applicants.

BY THE COMMISSION.

#### OPINION.

The applicants in the above entitled proceeding, F. N. Fuller and A. L. Fuller, ask permission to transfer the water system owned by them, including two vacant lots at Las Flores, Tehama County, to Rosa E. Stroing in exchange for 488 acres of ranch land.

A public hearing was held and the testimony presented shows that F. N. and A. L. Fuller are engaged in a real estate business and conduct a general merchandise store and pool room in the townsite of Las Flores; that about 1916 said Fuller brothers subdivided and marketed this townsite and constructed a water system to serve the tract. The townsite is still in the development stage, there being only thirty-one residents.

The investigation made by the Commission's hydraulic engineers, and the testimony at the hearing shows that the approximate cost of the water system in question is \$4,000. The property is now encumbered by a mortgage of \$300. The actual exchange of these properties was made on June 1, 1919, and applicant Stroing took possession of the property at that time and has since operated it.

It developed at the hearing that Rosa E. Stroing and her husband, Henry S. Stroing, who propose to operate this water system, are without funds or any financial resources other than their interest in the ranch which they propose to exchange for this public utility property. This water system produces an income of only \$35 to \$40 per month, and therefore, the purchasers will be dependent upon earnings from other sources for their livelihood. Mr. Stroing is not strong physically, and if he should become further incapacitated for work, the income from this system would be insufficient to employ a man to operate it.

After carefully considering all of the evidence submitted, including the fact that the Fullers constructed and operated this water system to promote a real estate project, we are of the opinion that it is inadvisable to permit such a transfer, and that if such transfer were consummated, the interest of the public would be seriously injured.

This Commission can not tolerate the transfer by real estate concerns of systems such as this, where the transfer is clearly an attempt on the part of the real estate dealer to escape the responsibility which he owes to the residents of the tract whom he induced to purchase lots

and houses by promises of adequate water supply and other improvements.

**ORDER.**

Application having been made by F. N. Fuller and A. L. Fuller for permission to sell, and by Rosa E. Stroing to buy, that certain public utility water system delivering water to the inhabitants of the townsite of Las Flores, Tehama County, and a public hearing having been held, and the Commission being fully apprised in the premises;

*It is hereby found as a fact*, that public convenience and necessity will be injured by the transfer of this system as proposed in the above entitled proceeding.

And basing its order upon the foregoing finding of fact, and the further statements of fact contained in the opinion preceding this order;

*It is hereby ordered*, that the application of F. N. Fuller and A. L. Fuller for authority to transfer this system be and it is hereby denied.

Dated at San Francisco, California, this ninth day of January, 1920.

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DECISION No. 7012.

IN THE MATTER OF THE COMMISSION'S INVESTIGATION ON ITS OWN MOTION INTO THE RATES, RULES, REGULATIONS AND SERVICE FOR THE SUPPLY OF WATER BY A. B. SHAW.

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Case No. 1334.

Decided January 9, 1920.

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Respondent directed to install additions and improvements to his water system and to develop an additional supply of water so as to enable him to render an adequate and satisfactory service to his consumers, also a temporary schedule of rates established pending the completion of above improvements, at which time a permanent schedule providing a reasonable return on the then value of the plant will be established.

*A. B. Shaw, Jr.*, for A. B. Shaw.

*George H. Woodruff*, for the Pasadena Glen Improvement and Protective Association.

BY THE COMMISSION.

**OPINION.**

This is an investigation on the Commission's own motion into the rates, rules, regulations and service of A. B. Shaw, who owns and operates a small public utility water system delivering water for domestic and irrigation uses in Pasadena Glen, Los Angeles County, California.

The investigation herein disclosed that the service was very unsatisfactory to patrons of this utility, due to inadequacy of supply and storage facilities. There was no protest regarding the rates.

A field investigation of this system was made by the Commission's hydraulic division, which reports that in order to render adequate service a further supply of water must be developed, additional storage facilities provided, and greater care exercised in operating the system. It appears that a further supply can be developed by either lengthening the present tunnels, driving new tunnels for the gathering of the underground water supply, or sinking a shaft in the floor of the valley where indications appear favorable.

A part of the water supply is obtained through ownership of 117 shares of stock in the Vosberg Water Company, a mutual concern. Heretofore eleven of a total of seventeen consumers receiving their water supply from this system, have been supplied with such water as they received from water delivered by the Vosberg Water Company. The remaining six consumers receive their water supply from three water tunnels.

The district served, which is located in Pasadena Glen, materially varies in elevation. With the present system, those consumers located at the higher elevations receive unsatisfactory service due to lack of pressure, even though a plentiful supply of water be available. This condition can be remedied by the construction of a reservoir at a higher elevation than the present reservoir. The construction of such a reservoir, and the enlargement of the existing reservoir, would aid not only from this standpoint, but would also enable Mr. Shaw to impound the water being delivered from the Vosberg Water Company, thus obtaining the entire quantity allotted to him because of his ownership of stock. It is therefore advisable, in order that adequate service be rendered, to obtain an additional water supply by either of the two methods stated above, and pump from this additional development into a reservoir to be constructed at an elevation sufficient to provide adequate pressure at services of upper consumers, and so increase the storage capacity of the present reservoir that the greatest use can be made of the supply delivered from the Vosberg Water Company.

The rates now in effect are the result of arbitrary establishment of a rate for each new consumer by Mr. Shaw, and result in discrimination.

In order to install the above mentioned improvements, it will be necessary to expend a considerable sum, and it would therefore be unfair at this time to base a rate schedule upon the cost of the present system and the present operating expenses. The gross revenue for the year 1918 was \$168.75, whereas operating expenses totaled approximately \$97.50 exclusive of taxes and interest upon investment and replacement fund. If these are included the total annual charges would exceed the income. It therefore is advisable to remove the existing discrimination in rates and increase the gross revenue by the estab-

lishment of a temporary rate schedule to remain in effect until such time as the improvements herein ordered are installed and adequate service rendered.

In this connection, attention is directed to the fact that a large proportion of the consumers spend only their week ends and vacations in Pasadena Glen. The rate schedule established herein is so designed that it provides for the payment by these consumers of approximately their share of the burden of maintaining this system.

At the hearing herein, Mr. Shaw contended that he is not operating a utility for the delivery of water for irrigation uses. All of the consumers have only a comparatively small area surrounding their residences. Furthermore, these lots were sold to them by Mr. Shaw, either directly or indirectly, and it is most assuredly only justice to them that he be required to deliver a sufficient supply of water to enable them to beautify their places by planting gardens, shrubbery, etc. Moreover, it is the duty of the operator of a public utility to establish and maintain amicable relations with his consumers, and do all within his power to so operate the system that his consumers are satisfied not only with the service received, but also with the treatment accorded them.

#### ORDER.

This Commission having instituted an investigation on its own motion into the rates, rules, regulations and service rendered by A. B. Shaw, the owner and operator of a public utility water system in Pasadena Glen, Los Angeles County, and a public hearing having been held and the Commission being fully apprised in the premises;

*It is hereby ordered*, that A. B. Shaw be, and he is hereby, directed to install additions and improvements to the water system herein referred to, and charge rates for service rendered by him, as follows:

1. That an additional water supply be developed and additional storage constructed at the upper portion of the Glen, capable of giving adequate service to those consumers whose premises are at too great an elevation to receive proper service from the present reservoirs.

2. That the reservoir adjacent to the reservoir of the Vosberg Water Company be so enlarged as to utilize to the greatest advantage the supply received by that company.

3. That detailed plans, showing how it is proposed to comply with the above order, be filed with this Commission not later than February 1, 1920, and the construction of these improvements shall be pursued diligently in accordance with the plans and specifications approved by the Commission and shall be completed not later than June 1, 1920.

4. That the following temporary schedule of rates be filed with this

Commission not later than twenty days after the date of this order, effective for all service subsequent to January 1, 1920.

*Meter Rate.*

Ten (10) cents per 100 cubic feet, minimum \$1.50 per month.

*Flat Rate.*

For each dwelling, occupied continuously, \$1.50 per month.

For each dwelling, occupied intermittently, payment may be made in two semi-annual installments of \$6 each.

5. That a complete file of proposed rules and regulations be submitted to this Commission for its consideration and approval.

Dated at San Francisco, California, this ninth day of January, 1920.

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DECISION No. 7017.

IN THE MATTER OF THE APPLICATION OF E. L. DOHERTY TO PURCHASE THE INTEREST OF F. A. WILSON IN THE CORTE MADERA WATER COMPANY, AND FOR E. L. DOHERTY TO BORROW \$1,000 FOR USE IN BETTERMENTS AND REPAIRS TO THIS WATER SYSTEM.

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Application No. 4945.

Decided January 9, 1920.

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BY THE COMMISSION.

**ORDER.**

F. A. Wilson, being part owner of a small domestic water system supplying the inhabitants of Corte Madera, Marin County, California, having asked authority to transfer to E. L. Doherty part interest of said water system, more particularly described in the application, and E. L. Doherty having joined in the application and on October 22 having made written request that that portion of the application relating to the issue of a \$1,000 note be dismissed, and it appearing to the Commission that this is not a case on which a public hearing is necessary;

*It is hereby ordered*, that the above-entitled application, in so far as it relates to the issue of a \$1,000 note, be, and it is hereby, dismissed.

*It is hereby further ordered*, that the above-entitled application, in so far as it relates to the transfer of properties, be, and it is hereby, granted upon the following conditions and not otherwise:

1. The consideration given for the transfer of said water system shall not be taken as necessarily representing the value of said system for rate-fixing purposes.

2. The authority herein granted to transfer said system shall apply only to such transfer as may be made on or before December 31, 1919.

3. A certified statement shall be filed with the Commission by E. L. Doherty not later than ten days subsequent to the date of transfer, indicating that such transfer has taken place.

4. A certified copy of deed transferring property herein authorized to be transferred shall be filed with the Commission within thirty days of the date of such transfer by E. L. Doherty.

Dated at San Francisco, California, this ninth day of January, 1920.

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DECISION No. 7018.

IN THE MATTER OF THE APPLICATION OF MOUNT KONOCTI LIGHT AND POWER COMPANY AND CALIFORNIA TELEPHONE AND LIGHT COMPANY FOR AN ORDER OF THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA AUTHORIZING THE FORMER TO SELL AND CONVEY UNTO THE LATTER AND THE LATTER TO PURCHASE AND ACQUIRE FROM THE FORMER ALL THE PROPERTIES OF SAID MOUNT KONOCTI LIGHT AND POWER COMPANY AND AUTHORIZING SAID CALIFORNIA TELEPHONE AND LIGHT COMPANY TO ISSUE, SELL AND DELIVER TO THE FACE AMOUNT OF SEVENTY-FIVE THOUSAND DOLLARS ITS FIRST MORTGAGE SIX PER CENT GOLD BONDS MATURING APRIL 1, 1943.

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Application No. 5047.

Decided January 9, 1920.

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BY THE COMMISSION.

**FIRST SUPPLEMENTAL ORDER.**

*It is hereby declared, that, in accordance with the order heretofore made in this proceeding on November 18, 1919, in Decision No. 6844, California Telephone and Light Company has filed with the Railroad Commission a stipulation duly authorized by its board of directors, which stipulation enumerates the franchises under which California Telephone and Light Company will operate, and declares that neither said company, its successors nor assigns will ever claim before the Railroad Commission or any court or other public body, a value for the rights and privileges granted in ordinance No. 152 of the county of Lake, adopted June 5, 1911, ordinance No. 183 of the county of Mendocino, adopted June 6, 1911, and ordinance No. 136 of the town of Lakeport, adopted July 3, 1911, in excess of the actual cost thereof, which cost is stated to be respectively twenty dollars (\$20), thirty-three dollars (\$33), and fifty dollars (\$50).*

Dated at San Francisco this ninth day of January, 1920.

## DECISION No. 7019.

F. M. STEELE, CLARA B. JONES AND J. B. MONROE  
vs.  
SIERRA VERDUGO WATER COMPANY, A CORPORATION.

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Case No. 1082.

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Decided January 9, 1920.

MUTUAL WATER COMPANIES—JURISDICTION.—A mutual water company has the right to compel a prospective consumer to become a stockholder as a condition prior to the rendition of service and the Railroad Commission has no jurisdiction to compel service otherwise from a company organized as a mutual concern which delivers water to members only at cost. Complaint dismissed.

*F. M. Steele*, for Complainants.

*Haas and Dunnigan*, by *J. J. Wilson*, for Defendant.

BY THE COMMISSION.

**OPINION.**

The complaint in the above entitled proceeding alleges in effect that defendant, a public utility, supplies water for domestic and irrigation purposes to residents of La Crescenta, Los Angeles County, and that complainants have been consumers of water so supplied, paying for the same at metered rates, except complainant Steele, who has never received any bill for water used. It is further alleged that on or about May 1, 1917, defendant served notice upon complainants that they must purchase water stock from the president of the corporation at what was considered an exorbitant price, and pay for meters then installed, or service would be discontinued. Thereafter, upon failure of complainants to comply with the demands, service was discontinued and complainants were without water as no other supply was available. Complainants ask that defendant be declared a public utility and required to restore service.

Defendant's answer is a general denial of the allegations of complainants, and asserts that defendant is a mutual water company and, as such, not within the jurisdiction of this Commission.

The testimony shows that Robert A. Walton purchased a tract of land, built a water system and placed the land on the market, the water system being incorporated as "Sierra Verdugo Water Company," a mutual water company. Since its incorporation it has delivered water only to its members at cost and is, therefore, not a public utility and is not subject to the jurisdiction, control or regulation of this Commission.

**ORDER.**

Complaint having been made by F. M. Steele, Clara B. Jones and J. B. Monroe, as outlined in the opinion preceding this order, a public

hearing having been held, and the Commission being fully informed in the matter;

*It is hereby found as a fact*, that the defendant herein is a mutual water company and, as such, is not subject to the jurisdiction of this Commission.

And basing its order on the foregoing finding of fact and upon the statements of fact contained in the preceding opinion;

*It is hereby ordered*, that the complaint in the above entitled matter be and it is hereby dismissed for lack of jurisdiction.

Dated at San Francisco, California, this ninth day of January, 1920.

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DECISION No. 7020.

IN THE MATTER OF THE APPLICATION OF THE RICHMOND COMPANY, INC., FOR PERMISSION TO CHANGE ITS WATER RATES.

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Application No. 4085.

Decided January 9, 1920.

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*P. A. Mero*, for The Richmond Company, Inc.

*McKee and Tasheira*, by *A. G. Tasheira*, for East Bay Water Company.

*Pillsbury, Madison and Sutro*, by *C. C. Sullivan* and *Warren H. McBryde*, for Hercules Powder Company.

BY THE COMMISSION.

OPINION.

This is a proceeding brought by The Richmond Company, Inc., a public utility water company delivering water to the inhabitants of what is locally known as the Rose-Andrade tract, located north of San Pablo, in Contra Costa County, California, for the establishment of a rate schedule.

A public hearing herein was held by Examiner Westover.

The Richmond Company, Inc., applicant herein, purchased a tract of land known as the Rose-Andrade tract, subdivided and marketed it. A water system was constructed to aid in the sale of this tract, and applicant is now delivering water to some nineteen consumers. The tract is still in its development stage, and is very sparsely settled.

At the hearing herein, the Commission's engineers submitted an estimate of cost of the property, with estimate of replacement fund, and operating expenses. The tabulation of the annual charges based upon these estimates follows:

Return on \$11,373 @ 8 per cent.....	\$910 00
Replacement fund .....	231 00
Maintenance and operation expense.....	702 00
Total.....	<u>\$1,843 00</u>



Representative of applicant stated at the hearing that it was not asking at this time for a return upon the investment, in view of the few consumers now being served. They ask that a rate of 26 cents per 100 cubic feet with a minimum of \$1.25 per month be established. Based upon water use of this and other similar systems in the state the rate which applicant herein asks to have established would yield only approximately \$300 annually. It is therefore apparent that it is unnecessary to further discuss annual charges.

Applicant now purchases its water from East Bay Water Company at that company's current rates, which average approximately 23 cents per 100 cubic feet in addition to the established service charge. The rate which is herein asked is 26 cents or a differential of only 3 cents per 100 cubic feet to cover all operating costs.

After considering all of the facts herein, it appears that the rate which applicant asks is not unreasonable.

#### ORDER.

The Richmond Company, Inc., having applied to this Commission for authority to charge certain rates, a public hearing having been held, and the Commission being fully apprised in the premises;

*It is hereby found as a fact*, that the rates heretofore charged by The Richmond Company, Inc., in so far as they differ from the rates herein established, are unjust and unreasonable and that the rates herein established are just and reasonable rates.

Basing its order upon the foregoing finding of fact and upon the further statements of fact contained in the opinion preceding this order;

*It is hereby ordered*, that The Richmond Company, Inc., be and it is hereby, authorized to file with this Commission within twenty (20) days of the date of this order, and thereafter charge, the following rates for water delivered to its consumers.

26 cents per 100 cubic feet.  
Minimum charge \$1.25 per month.

Dated at San Francisco, California, this ninth day of January, 1920.

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DECISION No. 7021.

JAMES BEATTY, MAGGIE J. BEATTY AND GEORGE R. MULLOY

vs.

CLARK COLONY WATER COMPANY, A CORPORATION.

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Case No. 1213.

Decided January 9, 1920.

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*B. V. Sargent*, for Complainants.

*Houghton and Houghton*, by *Edward T. Houghton*, for Defendants.

BY THE COMMISSION.

**OPINION.**

The complaint in the above entitled proceeding alleges in effect that defendants own and operate a public utility water system and deliver water for compensation to residents of the so-called "Clark Colony," in Monterey County, and that defendant has refused to furnish an adequate supply of water. Complainants ask that defendant be ordered to install water pipes of sufficient capacity and extent to properly irrigate their lands.

Defendant, in its answer, denies all the material allegations of the complaint and asserts that its water system is operated as a mutual water company.

The testimony clearly shows that defendant herein was organized as a mutual water company and its operations are those of a mutual water company, as defined in Chapter 80, Laws of 1913, and is, therefore, not subject to the jurisdiction or control of this Commission.

**ORDER.**

Complaint having been made by James Beatty, Maggie J. Beatty and George R. Mulloy, against Clark Colony Water Company, as outlined in the opinion preceding this order, a public hearing having been held in said matter, and the Commission being fully apprised in the premises;

*It is hereby found as a fact*, that the defendant herein is a mutual water company and as such is not subject to the jurisdiction of this Commission.

And basing its order on the foregoing finding of fact and upon the statements of fact contained in the preceding opinion;

*It is hereby ordered*, that the complaint in the above entitled matter be, and it is hereby, dismissed, for lack of jurisdiction.

Dated at San Francisco, California, this ninth day of January, 1920.

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DECISION No. 7022.

IN THE MATTER OF THE APPLICATION OF EXCELSIOR WATER AND MINING COMPANY, A CORPORATION, FOR AN ORDER AUTHORIZING AND PERMITTING AN INCREASE IN THE RATES AND CHARGES FOR WATER FURNISHED AND SERVICES RENDERED BY IT IN THE COUNTIES OF NEVADA, YUBA AND PLACER, STATE OF CALIFORNIA.

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Application No. 4423.

Decided January 9, 1920.

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**WHOLESALE WATER RATES—PURCHASES BY UTILITY FOR REDISTRIBUTION.**—A utility purchasing water wholesale from another company owned by the same interests, and paying therefor a rate equal to that which it charges its consumers for such water after distribution through its system, is required to correct such methods as uneconomical and in the future to exercise more care in the conduct of its business.

**WATER RATES—VALUES—REASONABLENESS OF.**—Rates established for a water utility which has dedicated its water to public use within a specified district, can not be prohibitive irrespective of the fact that they do not produce a full return on the value of the property devoted to such use, in that excessive high rates would so tend to lessen service that the utilities' gross revenues would be materially reduced.

**IRRIGATION USES—PROFITABLENESS OF.**—Irrigators in a district where the cost of water is high are urged to put such water to the most beneficial purposes possible, such as the irrigation of orchards or kindred uses, and to discontinue irrigating pastures, etc., as unprofitable due to the cost of water, as a utility can not be expected to continue the operation of an unprofitable system.

Revised schedule of rates established effective within twenty days.

*G. P. Metteer and Nilon and Nilon, for Applicant.*

*Lloyd P. Larue, for Protestants.*

BY THE COMMISSION.

### OPINION.

Excelsior Water and Mining Company, a public utility engaged in the business of selling water for irrigation in Nevada, Yuba and Placer counties, State of California, asks authority to increase its rates, and alleges that its income is unremunerative and does not produce sufficient revenue to meet operating expense, depreciation and a return upon the value of its plant, and prays that the Railroad Commission establish a rate of \$45 per miner's inch, or a reasonable rate.

The rate schedule now in effect was established by this Commission in its Decision No. 1361, Application No. 934, *In the Matter of the Application of the Excelsior Water and Mining Company for Authority to Change Water Rates and Charges for Water Furnished and Service Rendered in the Counties of Nevada and Yuba*, decided March 20, 1914 (Vol. 4, p. 438, Opinions and Orders of the Railroad Commission of California), and in a supplemental decision, No. 3190, in the above proceeding, decided March 4, 1915. (Vol. 6, p. 258, Opinions and Orders of the Railroad Commission of California.)

Reference is made to the above mentioned decisions for the history, description and appraisal of applicant's property.

Data was submitted at the hearing herein relative to operating expenses incurred by applicant in the past. Applicant reports that the sum of \$31,621.63 was expended for this purpose during 1918. Details of this expenditure and those of previous years were submitted and show that several items which should properly be charged to other accounts or amortized over a period of years, are included. An analysis of all of the data submitted shows that the sum of \$26,400 is a fair sum for this purpose.

In view of the fact that only 2700 acres were irrigated in 1918, this is a very high cost per acre, and is undoubtedly due to the fact that this system was constructed for mining purposes and the character of the territory served, which is mountainous, thus necessitating more mileage of ditches per acre than many other localities.

The record shows that the estimated cost of the system is \$512,721 and that the annuity is \$3,691. It is unnecessary to further discuss this appraisal or other elements of the annual charges, in view of the fact that at the rates asked for by the company, the income produced would be far less than the total of these charges. Furthermore, a rate established on the basis of these charges would be prohibitive to the consumers.

The evidence shows that the system will deliver water to about 3000 acres in 1920, of which approximately 2700 acres are planted to grass, alfalfa and rice, and 300 acres to orchard. Records of water use and income were submitted at the hearing, and have been carefully analyzed. It appears that the company does not actually record the use of water on all of its own lands, and in one instance a portion of a holding was irrigated and no charge was made nor use of the water reported. Because of these practices it is impossible to determine what income would be produced from the use of water by any given rate schedule. In another instance, water is diverted from the stream by another company, also owned and controlled by the same ownership as applicant, and delivered at the intake of applicant's canal. This company charges applicant the same rate for this service as applicant charges its consumers, claiming that there is a reduction of loss by evaporation and seepage due to thus transmitting the water. Excelsior Water and Mining Company loses by this transaction, because it expends money in distributing this water to its consumers. We suggest that it correct these inefficient and uneconomical methods of operation, and in the future exercise more care in the conduct of its business.

It is apparent, however, that applicant is entitled to a rate increase, in view of the fact that the present rate schedule produces approximately \$10,000 less than the necessary operating expenses.

It then remains to determine the amount which should in fairness be paid by the consumers for the service rendered in view of the crops produced and the conditions under which they are produced.

Certain consumers in the lower districts have been irrigating a considerable area planted to rice, with water which owing to the topographical conditions can not be used at present for the irrigation of orchards or other crops. Furthermore, a large area is irrigated for pasture. This use of water is uneconomical and can not survive, even with a comparatively low rate.

Applicant, however, has clearly dedicated its water for use within this district, and it would be unfair to consumers to establish a prohibitive rate. This, we believe, would so reduce the use of water, that despite increased rates, applicant's gross revenue would be materially reduced.

This Commission urges upon the water users of this system that they use their best endeavor to put the water to a higher use, either by developing orchards or otherwise, and gradually eliminate the use of water for purposes which must necessarily be unprofitable in a district where the cost of water delivered is high.

The development of a further water supply for any considerable area of land under this system would necessitate the construction of a dam for the purpose of impounding water.

This development, however, is dependent upon the water users putting their land to its most beneficial use. We believe that there should be a concerted action on the part of applicant, and all of its consumers, to develop this district and put the water to a much higher use than that use which at present prevails. In fairness to the company, a rate schedule can not be long maintained which does not produce an income sufficient to make the operation of the system profitable. We suggest to the consumers and other landowners within this district, that immediate steps be taken to further develop the lands receiving their water supply from this system, and that they co-operate with the company in securing an additional water supply. The importance of such action can not be over-emphasized, in view of the fact that the very life of this district, from an agricultural standpoint, is dependent thereon.

#### ORDER.

Excelsior Water and Mining Company having applied to the Railroad Commission for authority to increase its rates, a public hearing having been held, and the Commission being fully apprised in the premises;

*It is hereby found as a fact*, that the present rate schedule of the Excelsior Water and Mining Company, in so far as it differs from the rate schedule herein established, is unjust and unreasonable, and that the rates herein established are just and reasonable rates to be charged by said company for water.

And basing its order upon the foregoing finding of fact, and the other statements of fact contained in the opinion preceding this order;

*It is hereby ordered*, that Excelsior Water and Mining Company be, and it is hereby, authorized and directed to file with this Commission within twenty (20) days of the date of this order, and thereafter charge the following rates:

#### Irrigation.

For all water delivered at the ditch or ditches of the company, 15 cents per miner's inch per day of 24 hours, or the equivalent thereof in amount, 1 miner's inch per minute being equal to  $1\frac{1}{2}$  cubic feet.

**Power.**

Five cents (5c) per miner's inch per 24-hour day for approximately 200 miner's inches used from the so-called Rough and Ready Ditch.....	\$10 00
Two and one-half cents (2½c) per miner's inch per 24-hour day for approximately 110 miner's inches used from the so-called Newton Ditch.....	2 75
Total.....	\$12 75

Dated at San Francisco, California, this ninth day of January, 1920.

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DECISION No. 7023.

IN THE MATTER OF THE APPLICATION OF THE SAN JOAQUIN LIGHT AND POWER CORPORATION FOR AUTHORITY TO INCREASE ELECTRIC RATES.

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Application No. 4064.

Decided January 10, 1920.

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BY THE COMMISSION.

**SUPPLEMENTAL ORDER.**

Good cause appearing;

*It is hereby ordered*, that the authority heretofore granted San Joaquin Light and Power Corporation by Decision No. 6095 of this Commission to charge and collect a temporary surcharge of fifteen per cent upon each and every bill for electric service, based upon its regular filed schedules, rates and contracts, be and it is hereby extended until further order of this Commission.

Dated at San Francisco this tenth day of January, 1920.

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DECISION No. 7024.

IN THE MATTER OF THE APPLICATION OF SOUTHERN CALIFORNIA EDISON COMPANY, A CORPORATION, FOR AUTHORITY TO ISSUE AND SELL BONDS TO THE AMOUNT OF SEVEN MILLION FIVE HUNDRED THOUSAND DOLLARS FACE VALUE.

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Application No. 5119.

Decided January 10, 1920.

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BY THE COMMISSION.

**FIRST SUPPLEMENTAL ORDER.**

WHEREAS, the Railroad Commission by Decision No. 6864, dated November 24, 1919, authorized Southern California Edison Company to issue on or before June 30, 1920, at not less than 93 per cent of their face value plus accrued interest, \$7,500,000 of its general and refunding mortgage 6 per cent twenty-five-year gold bonds series of 1919; and

WHEREAS, applicant reports that on account of present market conditions it is unable to sell its bonds at the price fixed by the Commission and that it is to its best interest to sell the bonds at not less than 91 per cent of their face value plus accrued interest, and that such sale may be effected immediately; now, therefore,

*It is hereby ordered*, that the order in Decision No. 6864, dated November 24, 1919, be and it is hereby modified so as to permit Southern California Edison Company to issue and sell within ten days after the date hereof said \$7,500,000 of bonds at not less than 91 per cent of their face value plus accrued interest.

*It is hereby further ordered*, that the order in Decision No. 6864, dated November 24, 1919, shall remain in full force and effect except as modified by this first supplemental order.

Dated at San Francisco, California, this tenth day of January, 1920.

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#### DECISION No. 7025.

IN THE MATTER OF THE APPLICATION OF SHELLEY INCH, OWNER OF THE PLACERVILLE TELEPHONE EXCHANGE, FOR AUTHORITY TO INCREASE TELEPHONE RATES AND MAKE CHANGES IN TELEPHONE SERVICE.

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Application No. 4889.

Decided January 10, 1920.

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TELEPHONE SERVICE—FARMERS' LINES—MECHANICAL ATTACHMENTS.—Auxiliary apparatus attached to telephone lines or instruments which can effect the continuity of the circuit should be abolished and rules established prohibiting their use. Rules also established limiting the number of subscribers on one farmer line to ten as an adequate service can not be rendered to more than ten subscribers on the same circuit.

TELEPHONE SERVICE—TIME LIMIT ON CALLS.—A time limit of five minutes on conversations over party lines is considered necessary and is established to permit other subscribers the full use of their telephones.

RATES—TELEPHONE—ZONE SYSTEM.—It is held not advisable to establish a quarter-mile zone system in connection with the rate schedule of a telephone system such as applicant's. Revised schedule of rates made effective and rules governing the operation of farmers' lines established.

*Shelley Inch* and *William De Carteret*, for Applicant.

*Earnest E. Wood*, for the city of Placerville.

*E. Fitzgerald*, for certain farmers' lines.

BRUNDIGE, *Commissioner*.

#### OPINION.

In this application, Shelley Inch, owner of the Placerville Telephone Exchange, asks for the Commission's authority to increase his rates for business telephones and suburban residence service by approximately \$1 per month and to increase the farmers' lines rate by 73 cents per month for business service and 33 cents per month for residence service.

In addition, applicant asks the Commission to approve a proposed zone system of rates, the zones to be the same for all classes of service, and also to approve the restriction of all party line service to an average of five outgoing calls per day.

The applicant states that 44 per cent of his subscribers are on farmers' lines; that these farmers' lines have been permitted into and through the towns of Coloma, Camino, Diamond, El Dorado and other villages and that the public of these towns has free use of the telephones located therein; that certain wires owned by him are used by subscribers without compensation and that rates charged subscribers are not uniform for the same classes of service.

**Valuation, Operating Revenues and Expenses and Finances.**

Applicant filed with the application an appraisal of his plant as of February 1, 1919, which showed a reproduction cost new at present prices of \$26,806.68 and a depreciated reproduction cost of \$17,311. It is alleged that the original cost of the property could not be determined. In 1912, however, the Pacific Telephone and Telegraph Company sold the plant to Mr. Inch for \$8,000.

The application alleges that for the year 1918 the operating revenues were \$8,698.19 and the disbursements totaled \$8,978, leaving a net deficit of \$279.81.

On December 31, 1918, the applicant states that there was a total indebtedness on this telephone exchange amounting to \$2,232.16. Of this amount, \$1,000 was the balance remaining unpaid on the purchase price of 1912. On June 30, 1919, the financial statement alleges a total indebtedness of \$2,280.18. The Placerville Exchange is not incorporated and has no stocks or bonds outstanding and there is no mortgage on the property.

A hearing was held in Placerville on October 2, 1919, at which time the Commission's engineering department submitted a valuation of applicant's property. There appeared to be considerable differences between the valuation of the engineering department and that of the applicant. The former shows a reproduction cost on an historical basis of \$14,369.

Our engineers made a careful analysis of the applicant's revenues and expenses from November 1, 1918, to September 28, 1919. It was found that more than \$3,000 had been deducted from revenue which was neither maintenance nor operating expenses. Further, it appeared that applicant had not properly segregated his charges for construction work nor his replacement of plant costs from his maintenance and operation charges. The results of the analysis showed a net income of \$1,746.25 for the eleven months, which is equivalent to \$1,905 per



annum. This would give a return of about 13 per cent on the reproduction cost of \$14,369 or of 11 per cent on the applicant's appraisal of \$17,311.

An estimate of the applicant's revenues and expenses for 1920 was made by our engineering department. On account of the increased cost of both material and labor it is estimated that the return on the reproduction cost will be reduced to about 8 per cent after making allowance for depreciation. An analysis of depreciation of this plant by the engineering department shows that an annual payment of \$660 into a depreciation fund, in monthly installments of \$55 per month, will replace the entire property on a 5 per cent sinking fund basis in approximately sixteen years. I shall accept the figures of the engineering department in preference to those submitted by the applicant in so far as these matters are determining factors in a decision, especially since the accounting methods used by applicant are not reliable.

It is my opinion that this plant is reaching an age when it is unwise to continue the practice of investing in new plant the money set aside for the replacement of plant. I recommend, therefore, that the allowance of \$660 provided for by our engineers in determining these rates should be so held that the money will be available when renewals of plant or equipment are necessary and the allowance should not be used for any other purpose, unless authorized by the Commission. This will insure the public the class of telephone exchange which can render the grade of service for which they are paying.

#### Service.

There was considerable discussion of the question of service at the hearing in this case. The exchange service apparently was satisfactory, but that on the farmers' lines, it was agreed by all, was very poor.

It developed, during the discussion, that there were as many as 28 telephones connected to one farmers' line; that it was a common practice among the rural subscribers to have an electrical switch whereby various combinations of farmers' line connections could be made; that the manipulation of these switches frequently made it impossible for the operators in the central office to signal other parties on the lines and that the lines and equipment of these rural subscribers were not maintained in such condition that satisfactory service could be rendered.

It is my opinion that good telephone service can not be given on any line to which more than ten telephones are connected; that the use of any auxiliary apparatus on a telephone line or instrument which can affect the continuity or transmission of the circuit should be abolished and that any line which connects with a central office exchange should be maintained up to a certain standard, and that if it does not meet

this standard, it should be disconnected until such time as it does meet the requirements, in order that the service on the other lines may not be memorialized. In effect, the above statement of my opinion is recognized in protestant's "Exhibit No. 1," which is an agreement between the Pacific Telephone and Telegraph Company and the Placerville-Newton Rural Telephone Company, dated March 1, 1911. This agreement states that:

\* \* \* the subscriber's line, instruments and apparatus, and connecting lines and apparatus, shall be constructed, operated and maintained at a standard satisfactory to the Pacific Company \* \* \*.

In addition, the contract states that:

\* \* \* no single conversation shall exceed five (5) minutes \* \* \*.

It developed during the hearing that some subscribers did not adhere strictly to the latter part of the agreement. It is my opinion that a five-minute limit should be placed on these party lines when other subscribers desire to use the circuit.

#### Rates.

There is no justification and no necessity, in my opinion, for a general increase in the rates of the applicant. Neither do I think the Commission should authorize, at this time, the adoption of the quarter-mile zone system. The company, however, in the past, has not charged all persons the same rates for the same class of service, and, while these discriminatory practices have been due mainly to lack of efficient management, they must be discontinued at once. Also all persons using the lines or circuits of the applicant should be required to pay a reasonable charge for such service.

I recommend that the Commission authorize the applicant to offer the following rate schedule and order him to require payment of the same amount by all subscribers for the same class of service:

	Business	Residence
Main line—wall .....	\$2 75	\$2 25
Two-party line—wall .....	2 25	2 00
Four-party line—wall .....	2 00	1 75
Suburban .....	2 25	2 00
Extensions .....	1 50	1 00
Farmers' lines .....	1 00	40

Desk telephones, excepting extensions and farmers' lines, 25 cents extra.

All rates other than farmers' lines and extensions, subject to a discount of 25 cents if paid on or before the tenth day of the month in advance.

A farmers' line telephone shall be classed as "business" only when located in a business establishment.

All rules and regulations not covered in this opinion shall remain as stipulated in Decision No. 2879, decided November 5, 1915. I further recommend that the Commission order the applicant to serve notice at

once upon all connecting farmers' lines that after one year their service with this exchange will be discontinued if the following conditions are not complied with:

1. No line shall be connected to more than ten (10) subscribers.
2. No line or instrument shall have an electrical switch or other device connected thereon which interferes with the continuity or transmission of any circuit or with the proper signaling of any subscriber from the central office.
3. No line shall be connected with the Placerville exchange which is not constructed and maintained in such manner that good service can be given over that line. Disputes, if any such shall arise, over standards of construction for such lines, shall be referred to the engineering department of the Commission for final adjustment.

I recommend the following form of order:

**ORDER.**

Shelley Inch, owner of the Placerville Telephone Exchange, having filed with the Commission his application for an increase in rates and certain changes in his operating rules, a hearing having been held, the matter having been submitted and the Commission, basing its conclusions on the foregoing opinion, finding as a fact that the rates authorized, the classes of service prescribed and the changes in rules in this order are just and reasonable;

*It is hereby ordered*, as follows, subject to the conditions which hereinafter shall appear:

1. Applicant is authorized to establish and file with the Railroad Commission within thirty (30) days of the date of this order a schedule of rates, rules and services as outlined in the foregoing opinion.

2. Applicant is ordered to collect the same rental from all subscribers having the same class of service as soon as the authorized rates are put into effect.

3. Applicant is ordered to submit to this Commission a rental charge for the use of cable pairs and open wires by parties for purposes other than connecting their telephones with the central office and, if approved by this Commission, to put same into effect when authorized to use the revised rate schedule.

4. Applicant is ordered to give notice to all farmers' line companies and farmers' line subscribers that their service with the Placerville Exchange will be discontinued one year from the date the revised rates become effective if the conditions as set forth for them in this opinion are not complied with.

5. The applicant is authorized to limit the length of conversation on a party-line to five (5) minutes, provided another party desires to use the line.

6. Applicant is authorized to put these rates and rules into effect subject to the following conditions:

(a) Adequate and efficient telephone service must be rendered at all times for all classes of service.

(b) A depreciation reserve of \$660 per annum in monthly installments of \$55 shall be set aside for the purposes set forth in the foregoing opinion, and the depreciation fund shall be accounted for and used only for the purpose of replacements and betterments, or as may be otherwise authorized by this Commission.

(c) An accounting system must be followed which will conform to that prescribed by the Commission in its Uniform Classification of Telephone Companies.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this tenth day of January, 1920.

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DECISION No. 7026.

IN THE MATTER OF THE APPLICATION OF THE REORGANIZATION  
OF OAKLAND AND ANTIOCH RAILWAY; OAKLAND, ANTIOCH AND  
EASTERN RAILWAY, AND SAN RAMON VALLEY RAILROAD.

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Application No. 4555.

Decided January 12, 1920.

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*Jesse H. Steinhart*, for Applicant.

EDGERTON, *Commissioner*.

**SECOND SUPPLEMENTAL OPINION.**

On November 19, 1919, the Railroad Commission made its order authorizing San Francisco and Sacramento Railroad to issue not exceeding \$4,000,000 of common stock; not exceeding \$1,330,000 of 6 per cent preferred stock, and not exceeding \$2,100,000 of five-year 7 per cent bonds to carry into effect the reorganization plan of Oakland, Antioch and Eastern Railway, Oakland and Antioch Railway and San Ramon Valley Railroad. The record shows that none of the stock and bonds have been issued and that none will be issued.

The reorganization plan has been modified and it is now proposed to organize San Francisco-Sacramento Railroad Company and have it issue not exceeding \$6,550,000 of common stock; not exceeding \$1,330,000 of 7 per cent preferred stock, and not exceeding \$900,000 of 6 per cent serial bonds, as provided for and referred to in the amended reorganization plan. It provides for the refunding of the secured and

unsecured debt of Oakland and Antioch Railway, Oakland, Antioch and Eastern Railway and San Ramon Valley Railroad through the issue of common and preferred stock. The exact amount of stock which will be issued for these purposes is not known at this time, because some of the bonds deposited may be withdrawn, or additional bonds may be deposited.

San Francisco-Sacramento Railroad Company also asks permission to issue \$900 of its common stock (9 shares) to qualify the members of its board of directors.

San Francisco-Sacramento Railroad Company asks permission to execute a mortgage, a copy of which is on file, securing the payment of \$3,000,000 of bonds bearing interest at not more than 6 per cent per annum. There are to be issued forthwith not exceeding \$900,000 of bonds, one-twentieth of which will mature annually from 1921 to 1940. The new company intends to use the proceeds obtained from the sale of the bonds to pay first lien creditors, to pay nonassenting bondholders, to pay part or all of the reorganization expenses, to finance the construction of additions and betterments, and for working capital.

I herewith submit the following form of order:

#### SECOND SUPPLEMENTAL ORDER.

The Railroad Commission having been asked to modify the order in Decision No. 6457, dated June 26, 1919, as indicated in the foregoing opinion, a public hearing having been held, and the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for by the issue of the stock and bonds herein authorized is reasonably required for the purpose or purposes specified in this order, and that the expenditures for such purpose or purposes, other than those to pay reorganization expenses, are not in whole or in part reasonably chargeable to operating expenses or to income;

*It is hereby ordered*, that San Francisco-Sacramento Railroad Company be, and it is hereby authorized, to execute a deed of trust substantially in the same form as the deed of trust filed in this proceeding on January 9, 1920.

*It is hereby further ordered*, that San Francisco-Sacramento Railroad Company be, and it is hereby, authorized to issue at par 9 shares (\$900) of its common stock to qualify directors and use the proceeds for working capital.

*It is hereby further ordered*, that the order in Decision No. 6457, dated June 26, 1919, be, and it is hereby, modified so as to permit San Francisco-Sacramento Railroad Company to issue not exceeding \$6,550,000 of common stock; not exceeding \$1,330,000 of 7 per cent preferred stock, and not exceeding \$900,000 of 6 per cent serial bonds.

The authority herein granted is upon the following conditions, and not otherwise:

1. The common, except the 9 qualifying shares, and preferred stock herein authorized to be issued, or so much thereof as may be necessary, shall be distributed to the bondholders and creditors of Oakland, Antioch and Eastern Railway, Oakland and Antioch Railway and San Ramon Valley Railroad for the purpose of carrying out the amended reorganization plan on file in this proceeding and referred to in the supplemental petition filed December 22, 1919.

2. The bonds herein authorized to be issued shall be sold by San Francisco-Sacramento Railroad Company, for cash, at not less than 90 per cent of their face value and accrued interest and the proceeds used for the following purposes, or for such other purposes as the Railroad Commission may hereafter authorize:

(a) For working capital and payment of reorganization expenses, \$150,000.

(b) The remainder of the proceeds may be used by San Francisco-Sacramento Railroad Company to pay first liens and interest thereon, pay nonassenting bondholders, pay the construction of additions and betterments, including, among other things, one-half of the cost of the branch line to Pittsburg, ballast the entire line, concrete the tunnel, purchase five cars and construct two warehouses.

3. San Francisco-Sacramento Railroad Company shall file with the Railroad Commission within ninety days after the date hereof, a statement showing what amount, if any, of the proceeds from the sale of the bonds have been used to pay reorganization expenses, which reorganization expenses are to be amortized in accordance with a stipulation on file with the Commission.

4. Within ninety days after the date hereof, San Francisco-Sacramento Railroad Company shall file with the Railroad Commission for approval its book entries relative to the issue of the stock and bonds herein authorized and the purchase of the properties to which reference has been made.

5. The approval herein given of said deed of trust is for the purpose of this proceeding only, and an approval in so far as this Commission has jurisdiction under the terms of the Public Utilities Act, and is not intended as an approval of said deed of trust as to such other legal requirements to which said deed of trust may be subject.

6. San Francisco-Sacramento Railroad Company shall keep such record of the issue and sale of the stock and bonds herein authorized and of the disposition of the proceeds as will enable it to file on or before the twenty-fifth day of each month a verified report, as required

by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

7. The authority herein granted will not become effective until San Francisco-Sacramento Railroad Company has paid the fee prescribed in the Public Utilities Act.

8. The authority herein granted will apply only to such stock and bonds as may be issued on or before July 1, 1920.

*It is hereby further ordered*, that the order in Decision No. 6849, dated November 19, 1919, be, and it is hereby, revoked.

*It is hereby further ordered*, that the order in Decision No. 6457, dated June 26, 1919, shall remain in full force and effect, except as modified by the second supplemental order.

The foregoing second supplemental opinion and second supplemental order are hereby approved and ordered filed as the second supplemental opinion and second supplemental order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twelfth day of January, 1920.

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DECISION No. 7027.

IN THE MATTER OF THE APPLICATION OF THE REEDLEY TELEPHONE COMPANY FOR AUTHORITY TO INCREASE RATES FOR TELEPHONE SERVICE.

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Application No. 4858.

Decided January 12, 1920.

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**DEPRECIATION FUND—DISPOSITION OF AMOUNTS CREDITED TO.**—A public utility will not be permitted to treat its depreciation fund as a bookkeeping account only, devoting such funds to purposes other than that for which they are set aside. Applicant required to have all moneys set aside in its depreciation fund available when required for necessary renewals.

*A. Terkel*, for Reedley Telephone Company.

*Mark H. Edwards*, for Reedley Chamber of Commerce.

**BRUNDIGE**, Commissioner.

**OPINION.**

The Reedley Telephone Company, hereinafter referred to as the company, in Application No. 4858, asks the Commission's authority to increase rates for telephone service, alleging that its present rates established more than five years ago are inadequate to meet the increased prices for materials and increased labor and at the same time yield a fair return upon its investment in plant.

A hearing was held in Reedley on October 17, 1919. At that hearing the applicant presented a valuation of its property and introduced evidence as to present operating expenses, together with estimates of operating revenues and expenses for the future.

The Commission's engineers checked the inventory quantities presented by the company and presented an independent valuation of the physical property used and useful owned by the company. From an analysis of these appraisals submitted by the company and the Commission's engineers, taking into consideration the origin and source of money actually invested in plant as reflected in the history of this company, I am of the opinion that a fair valuation of this property for rate-making purposes will be approximately \$23,000, and suggest this amount as a proper rate basis.

For the period of October 1, 1918, to October 1, 1919, the gross revenue of the company was \$11,171, and the total expenses including depreciation allowance, taxes and uncollectible bills was \$9,437, leaving a net income to the company of \$1,734. In this computation the Commission made an allowance of \$900 for depreciation, a figure which is \$800 less than that claimed by the company.

During the year 1920 the company may reasonably expect an estimated revenue of \$12,300 based upon a 10 per cent increase in business if the rate structure is unchanged. A careful estimate of expenses for the same period has been made and amounts to \$11,000. It is apparent therefore that the company is entitled to an increase in rates in order that it may earn a reasonable return upon the value of its property.

In my opinion there is no justification for increasing the rates of this company to the extent asked for by the company or modifying the rules and regulations as requested in the application.

I recommend that the Commission order the company to offer the following classes of service and authorize the following rates:

	Per month	
	Business	Residence
Main line—wall .....	\$3 00	\$2 50
Two-party line—wall .....	2 50	2 25
Four-party line—wall .....	---	2 00
Six-party line—wall .....	---	1 75
Suburban—wall .....	2 50	2 25
*Extensions .....	1 50	1 00
*Farmers' lines .....	60	40

\*Desk telephones are 25 cents additional per month on all classes of service except those marked with an asterisk. All rates, except farmers' lines and extensions, are subject to a discount of 25 cents if paid on or before the tenth day of the month in advance.

All services, rules and regulations not covered in this opinion shall remain as provided for in the Commission's Decision No. 2879, decided November 5, 1915. The type of service provided for in this rate schedule eliminates the five-party line service now being given, and substitutes therefor a four-party and six-party residence service.

#### Service and Rates.

The service furnished by the company was criticized during the hearing. It appears that most of the complaints were from subscribers



on farmers' lines and that the sources of trouble were about equally divided between the operation of the exchange and the construction and maintenance of the farmers' lines themselves. It was agreed upon by the attorney for the rural subscribers and the president of the company that they would abide by a standard of construction for farmers' lines if the engineering department of the Commission would draft one and send them a copy. No such standard will be suggested in this opinion, but I feel that the Commission can render a great service to the community by so doing at a later date. The company, however, should realize that better service will be exacted from them when the new rates are put into effect.

I am also of the opinion that this plant has reached a stage where it is unwise to continue with the present method of treating a depreciation fund as a bookkeeping proposition only. I believe that in the future a depreciation fund should be set aside and so held that money will be available when renewals are necessary and that this fund should be used for no other purpose.

I recommend the following form of order:

#### ORDER.

Reedley Telephone Company having filed with the Commission its application for an increase of rates, a hearing having been held, the matter having been submitted and the Commission basing its conclusions on the foregoing opinion, finding as a fact that the rates authorized and the classes of service prescribed in this order are just and reasonable;

*It is hereby ordered*, that the applicant is authorized to establish and file with the Commission within thirty days of the date of this order a schedule of rates and services as outlined in the foregoing opinion. Applicant is authorized to put these rates into effect subject to the following conditions:

(a) Adequate and efficient telephone service must be rendered at all times for all classes of service.

(b) A depreciation reserve of \$900 per annum in installments of \$75 per month shall be set aside in a special fund for the purpose of maintaining the plant in good condition and shall be used for such purpose only or as may be authorized by the Commission.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twelfth day of January, 1920.

## DECISION No. 7028.

IN THE MATTER OF THE APPLICATION OF THE MOUNT WHITNEY  
POWER AND ELECTRIC COMPANY FOR AUTHORITY TO INCREASE  
ITS ELECTRIC RATES.

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Application No. 3891.

Decided January 12, 1920.

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BY THE COMMISSION.

**SUPPLEMENTAL ORDER.**

Good cause appearing;

*It is hereby ordered*, that the authority heretofore granted Mount Whitney Power and Electric Company by Decision No. 6475 of this Commission to charge and collect a temporary surcharge of fifteen per cent upon its basic rates now in effect, be and it is hereby extended until further order of this Commission.

Dated at San Francisco this twelfth day of January, 1920.

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## DECISION No. 7029.

IN THE MATTER OF THE APPLICATION OF THE COUNCIL OF THE  
CITY OF RICHMOND, STATE OF CALIFORNIA, FOR AN ORDER  
REQUIRING THE SOUTHERN PACIFIC COMPANY TO ENLARGE  
THE MACDONALD AVENUE SUBWAY IN THE CITY OF RICHMOND.

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Application No. 3781.

Decided January 12, 1920.

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**UNDERGRADE CROSSINGS--APPORTIONMENT OF COST OF.**—In apportioning the cost of enlarging an undergrade crossing, consideration must be given to the fact that the original cost of such crossing was borne entirely by the railroad company, excepting where it is shown that such crossing was not constructed with a view to adequately caring for a reasonable growth in traffic.

Plan for improvements to the Macdonald avenue subway in the city of Richmond decided upon and the cost thereof is apportioned fifty-five per cent to the city of Richmond, thirty per cent to the Southern Pacific Company and fifteen per cent to the San Francisco-Oakland Terminal Railways.

*D. J. Hall*, city attorney, for Applicant.

*Frank B. Austin*, for United States Railroad Administration-Southern Pacific Railroad.

*C. W. Durbrow*, for Southern Pacific Company Corporation.

*George H. Harris*, for San Francisco-Oakland Terminal Railways.

*William H. Schooler*, *in propria persona*.

MARTIN, *Commissioner*.

**OPINION.**

The city of Richmond in this application seeks an order requiring the Southern Pacific to enlarge the Macdonald avenue subway, which crosses under the Southern Pacific Company's tracks between Sixteenth

and Nineteenth streets in said city. Public hearings were held at Richmond on May 8 and June 19, 1919.

The Macdonald avenue subway was constructed about ten years ago by the Southern Pacific Company at a cost of approximately \$60,000, of which \$10,000 was refunded to it by the East Shore and Suburban Railway Company, predecessor of the San Francisco-Oakland Terminal Railways, upon completion of the structure. The latter company also paid for the laying of its track through the subway. The agreement between the two companies was made in July, 1907, and the plans were drawn in August, 1907, by the Southern Pacific Company, but the necessary franchise to install the structure was not passed by the city council of Richmond until February, 1909, almost two years later.

Previous to the construction of the subway, the cars of the East Shore and Suburban Railway ran up to each side of the Southern Pacific Company's right of way, where the passengers were discharged and made to cross the tracks on foot. Traffic over the crossing grew quite heavy and finally a flagman employed at the crossing was run down and killed. As the city of Richmond was rapidly growing, it became necessary to make the electric car line continuous. In order to do this, it was necessary to install either an expensive interlocking plant or a separation of grades.

The design of the grade separation was prepared by the Southern Pacific Company, which used a remodeled steel structure originally bought for a crossing of Coyote Creek just north of San Jose. The subway as it exists today corresponds closely to the plans above mentioned. It begins at a point about 40 feet more or less westerly from the westerly line of Seventeenth street and extends easterly along the northerly half of Macdonald avenue beneath the tracks of the Southern Pacific Company to a point 30 feet westerly from the easterly line of Nineteenth street.

The bridge superstructure of the subway is composed of sixteen thirty-foot spans in eight pairs for seven tracks and is laid out on a skew of 50° 23'. The overhead clearance of the steel superstructure above the street paving is given at 16 feet, which is 2 feet greater than that required under the Commission's General Order No. 26. The approaches to the subway are very steep, being 212 feet more or less of 7.7 per cent grade on the west or Sixteenth street side and 210.5 feet more or less of 9 per cent grade on the east or Nineteenth street side. The subway is 41 feet 3 inches wide between side walls and is divided into two sections by a row of columns supporting the steel superstructure. These columns as designed for their original location at Coyote Creek were too short for their position in the subway, which

made it necessary to construct the large concrete foundation blocks which encroach on the roadway in the subway at the present time.

The southerly barrel of the subway, which is 19 feet 10 $\frac{3}{4}$  inches wide in the clear, is used exclusively by the cars of the San Francisco-Oakland Terminal Railways. The northerly barrel is used by vehicular and pedestrian traffic and is 19 feet 9 $\frac{3}{4}$  inches wide in the clear, of which five feet are devoted to an elevated pedestrian sidewalk and 14 feet 8 $\frac{3}{4}$  inches to vehicles. The net street width is slightly less than the last figure, due to the encroachment of the column footings already mentioned. The paving through this section of the subway is in very poor condition.

At the hearing on May 8, 1919, at the suggestion of the presiding Commissioner, a committee of engineers representing the Commission and the various interests in these proceedings was appointed to investigate fully the condition of the subway and to make a report to the Commission as to the proper steps to be taken to place it in proper condition to adequately handle the traffic with safety to the public.

The report of the engineers was submitted in evidence at the hearing of June 19, 1919. It was signed by all parties except the United States Railroad Administration, which submitted, through its representative, a minority report. An answer to this minority report was filed by the engineering department of the Commission.

The engineering report discusses three plans for the improvement of the subway, as follows:

**Plan No. 1. Temporary Improvement.**

This plan calls for the shifting of the existing track of the street railway away from the south wall of the subway toward the columns in the center of the subway, so that the cars clear the sides of the columns by 2 feet 6 inches. The existing 5-foot sidewalk in the northerly section of the subway is to be removed and placed along the south wall of the southerly section. This leaves the northerly section with a width of 19 feet 8 $\frac{3}{4}$  inches entirely to road traffic. The estimated cost of these changes, which do not include repaving the north barrel of the subway except for the sidewalk portion, is \$3,215.

**Plan No. 2. Permanent Improvement.**

Under this plan it is proposed to eliminate pedestrian traffic from the subway altogether, by placing it in a tunnel across the Southern Pacific right of way just north of the north wall of the subway. The most important step under this plan is the cutting down of the excessively heavy grades which constitute the greatest drawback to the subway at present. It is possible, by acquiring three and one-half lots on the northeast corner of Nineteenth street and Macdonald avenue, to reduce the 9 per cent grade to a 5 per cent grade. The acquisition

of these lots is absolutely necessary to bring the subway to its greatest point of efficiency and to insure the success of Plan No. 2. The grade on the west side can be easily cut to 5 per cent without any property damage. In addition to cutting down the grades it is proposed to double-track the subway and pave both sections so that all traffic will flow in the same direction in each section. This will do away with the present criss-crossing and blocking of traffic at the mouths of the subway. It will be necessary, under this plan, for the San Francisco-Oakland Terminal Railways to give up its right to transport standard freight cars through the subway, on account of the low overhead clearance of only 14 feet. The cost of the improvements, under this plan, will be very close to \$50,000. It is expected that these changes will take care of traffic growth for at least two decades.

**Plan No. 3.**

This plan contemplates the removal of the present steel structure and replacing it with girders spanning the full width of the subway. The foot subway and changes in grade are to be carried out under this plan as given under Plan No. 2. The cost of the changes required for this plan is estimated at \$103,675, or more than twice as much as for Plan No. 2. As this plan will only give about two feet additional width of pavement over Plan No. 2 for an additional cost of over \$53,000, it can as well as not be eliminated from further consideration in these proceedings.

The city authorities do not favor the adoption of Plan No. 1, as the placing of the sidewalk in the south barrel of the subway will land pedestrian traffic in the middle of the street at each end of the subway. Objection is also made by the city council to the raising of money through assessment for temporary work, which is only required on account of the present financial condition of the railroads.

The United States Railroad Administration, in its minority report, favors the adoption of Plan No. 1 as the most favorable solution for immediately improving traffic conditions in the subway at a nominal cost, until such time as commodity prices return to a more nearly normal basis.

The Railroad Administration does not consider that it is necessary to make any radical change in grade, although it favors double-tracking of the street car line, in order to put the current of traffic in one direction in each opening of the subway. It also recommends the installation of a 3-foot sidewalk in each barrel of the subway, thus doing away with the necessity of a foot subway.

A study of the modified Plan No. 2 advanced by the Railroad Administration shows that it will not materially improve traffic conditions in the subway, on account of the lack of sufficient passing space

between the sidewalks and the sides of street cars. This condition, combined with the existing grades, would render traffic conditions in the subway even more dangerous than they are at present, with the street cars confined to the south section and the vehicular traffic to the north section.

Plan No. 2, as recommended by the committee of engineers, appears to be the proper solution toward improving the subway, and it is recommended that it be adopted in the order in this proceeding. The estimated cost of carrying out this plan is very close to \$50,000, which will have to be apportioned between the interested parties. About \$15,000 of this \$50,000 will go toward the construction of the pedestrian subway and sidewalks leading thereto. The Southern Pacific Company some time ago offered to donate the right of way and \$750 toward the construction of this foot subway. The work was never started, as no agreement could be reached with the city as to the handling of the portion of the work under the railroad company's tracks.

In apportioning the cost of the improvement to the subway due consideration must be given the fact that the Southern Pacific Company paid out about \$60,000 and the street car company about \$13,000, all told, toward the original construction of the subway.

Under ordinary conditions, where a structure of this nature was originally paid for by a railroad company, and where subsequently an enlargement becomes necessary, it would seem proper to consider that fact in the division of the cost of such improvement. The present case differs from the ordinary case, however, in that the subway was not originally adequately or properly designed from the point of view of the public using the city streets, although ample accommodations were installed for future growth on the part of the railroad company. The use of a second-hand steel structure, necessitating the building of a narrow roadway, and the excessively heavy grades installed show without a doubt that proper consideration was not given the future growth of the city or the economical and convenient handling of the city's traffic.

A study of the detailed estimate of the improvements contemplated under Plan No. 2, with special reference to the correction of the inadequacy of existing abutment walls, pedestrian facilities, acquirement of land, etc., and a consideration of all the facts in the case, leads to the recommendation of the following as a fair apportionment of the cost of installation of this plan:

City of Richmond, 55 per cent.

Southern Pacific Company, 30 per cent.

San Francisco-Oakland Terminal Railways, 15 per cent.

• Examination of the above apportionment shows that the Southern Pacific Company's share about equals the estimated cost of the foot subway, the San Francisco-Oakland Terminal Railways' share about equals the cost of reconstructing the paving and double-tracking of its line, and the city of Richmond's share about equals the paving, grading, curbing, and the probable reasonable cost of obtaining the lots found necessary to be acquired under Plan No. 2. It is therefore recommended that the carrying out of the improvements and the assessment of their cost be levied as follows, rather than on a percentage basis:

Southern Pacific Company is to build an adequate pedestrian tunnel, with sidewalk approaches on its right of way and station grounds just north of the north abutment of the existing subway, as shown on the location plan of the proposed changes and the cross section of the proposed rearrangement known as Plan No. 2, which plans are part of the "Report of the Committee of Engineers on the Improvement of the Macdonald Avenue Subway," Application No. 3781, made June 10, 1919, and received in evidence at the public hearing held in Richmond on June 19, 1919.

The San Francisco-Oakland Terminal Railways is to rearrange and properly construct its tracks in accordance with the report referred to, so as to have one track in each barrel of the subway, and is to regrade and pave its tracks between the rails and two (2) feet outside thereof, to correspond with the paving in the remainder of the subway as installed by the city. The tracks are to be laid with girder rail, if required by the type of paving installed by the city.

The city of Richmond is to acquire the three and one-half lots on the northeast corner of Nineteenth street and Macdonald avenue, is to grade and pave the approaches on 5 per cent grades and do all the remainder of the work necessary to bring Plan No. 2 to completion.

The following form of order is recommended:

#### ORDER.

City of Richmond, having on May 25, 1918, filed with the Commission an application for an order requiring the Southern Pacific Company to enlarge the Macdonald avenue subway in the city of Richmond; public hearings having been held, and the Commission having made a full investigation of the matter involved, and being fully advised in the premises; and it further appearing that the application should be granted subject to certain conditions and not otherwise;

*It is hereby ordered*, that the city of Richmond, the Southern Pacific Company and the San Francisco-Oakland Terminal Railways be and

the same hereby are ordered to improve the Macdonald avenue subway in accordance with Plan No. 2 of the "Report of the Committee of Engineers on the Improvement of Macdonald Avenue Subway," made June 10, 1919, and admitted to evidence at the hearing held in Richmond June 19, 1919; said improvements to be made subject to the following conditions, and not otherwise, viz:

(1) Southern Pacific Company shall build an adequate pedestrian tunnel with sidewalk approaches on its right of way and station grounds just north of the north abutment of the existing subway, as shown on the location plan of the proposed changes (C. R. C. Eng. Dept. Drawing, 413-64, Appl. 3781) and the cross-section of the proposed rearrangement known as Plan No. 2 (C. R. C. Eng. Dept. Drawing 413-61), described in the above-mentioned report.

(2) The San Francisco-Oakland Terminal Railways shall rearrange and properly construct its tracks according to Plan No. 2 of said report, so as to have one track in each barrel of the subway, and is to pave its tracks between the rails and two (2) feet outside thereof, to correspond with the paving placed by the city in the remainder of the subway. The above tracks are to be laid with girder rail, if required to conform to the type of paving installed by the city.

(3) The city of Richmond shall acquire the three and one-half lots on the northeast corner of Nineteenth street and Macdonald avenue and shall grade and pave the subway approaches with grades not exceeding five (5) per cent, with the exception of those portions between the street car rails and two (2) feet outside thereof, which shall be graded and paved by the San Francisco-Oakland Terminal Railways, as hereinbefore ordered. The city of Richmond shall also extend the subway abutment walls, as required by the changes in grade, and shall do all the remainder of the work necessary to complete the subway in accordance with said Plan No. 2.

(4) All clearances in said subway shall conform to the Commission's General Order No. 26.

(5) The Commission reserves the right to make such further orders relative to the location, construction, operation, maintenance and protection of said subway as to it may seem right and proper, and to revoke its permission if, in its judgment, the public convenience and necessity demand such action.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twelfth day of January, 1920.



## DECISION No. 7030.

IN THE MATTER OF THE APPLICATION OF EMPIRE TELEPHONE COMPANY, A CORPORATION, AND THE PACIFIC TELEPHONE AND TELEGRAPH COMPANY, FOR AN ORDER AUTHORIZING EMPIRE TELEPHONE COMPANY TO SELL TO THE PACIFIC TELEPHONE AND TELEGRAPH COMPANY ALL OF ITS TELEPHONE PROPERTY IN AND ADJACENT TO EMPIRE, STANISLAUS COUNTY, CALIFORNIA, AND THE PACIFIC TELEPHONE AND TELEGRAPH COMPANY TO PURCHASE AND ACQUIRE SAME.

Application No. 5095.

Decided January 13, 1920.

MARTIN, *Commissioner*.

**SECOND SUPPLEMENTAL ORDER.**

Whereas, the Railroad Commission in Decision No. 6896, dated November 28, 1919, authorized Empire Telephone Company to sell its properties to The Pacific Telephone and Telegraph Company, subject among others, to the condition that no transfer shall be made until said Empire Telephone Company had filed with the Commission a supplemental application asking authority to issue stock and notes in lieu of stock and notes unlawfully issued, nor until the Commission had authorized the issue of such stock and notes; and

Whereas, a supplemental application has been filed and authority asked to issue 39 shares of stock and a \$2,000 note, a public hearing having been held, and it appearing that the stock and notes heretofore issued were issued inadvertently and without any intent to evade the terms of the Public Utilities Act, and that all moneys obtained through the issue of such stock and notes were used to pay for the construction of the telephone system described in Decision No. 6896, dated November 28, 1919, and that the supplemental application should be granted; now, therefore

*It is hereby ordered*, that Empire Telephone Company be, and it is hereby, authorized to issue 39 shares of its stock to the parties named in the supplemental application, and a \$2,000 note to the California National Bank of Modesto in lieu of 39 shares of stock and a \$2,000 note heretofore issued without an order from the Railroad Commission.

*It is hereby further ordered*, that upon the consummation of the transfer of the properties authorized in Decision No. 6896, dated November 28, 1919, the proceeds realized from the sale of such property may be distributed in accordance with the terms and provisions of the supplemental application filed herein on January 9, 1920.

*It is hereby further ordered*, that the order in Decision No. 6896, dated November 28, 1919, shall remain in full force and effect except as modified by this second supplemental order.

The foregoing second supplemental order is hereby approved and ordered filed as the second supplemental order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this thirteenth day of January, 1920.

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DECISION No. 7032.

IN THE MATTER OF THE APPLICATION OF SIERRA AND SAN FRANCISCO POWER COMPANY, A CORPORATION, AND THE PACIFIC GAS AND ELECTRIC COMPANY, A CORPORATION, FOR AN ORDER OF THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA, AUTHORIZING THE SIERRA AND SAN FRANCISCO POWER COMPANY TO LEASE TO THE PACIFIC GAS AND ELECTRIC COMPANY, ALL ITS PROPERTIES, FRANCHISES AND PERMITS, USED OR USEFUL IN ITS BUSINESS OF GENERATING, DISTRIBUTING AND SELLING ELECTRIC ENERGY AND IN ITS BUSINESS OF IMPOUNDING, DISTRIBUTING AND SELLING WATER.

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Application No. 5146.

Decided January 17, 1920.

LEASES—ELECTRIC PROPERTIES—WHEN BENEFICIAL TO PUBLIC INTEREST.—The Railroad Commission will authorize an electric utility to lease its properties to another utility of a like nature when it is shown that such lease will be of great benefit to the public in that the lessor is at the time not in a position to obtain funds needed for necessary additions and betterments, which improvements can and will be made by the lessee.

Sierra Company authorized to lease its entire system to Pacific Company under terms and conditions more particularly described in lease accompanying above numbered application; *provided*, that such authorization will in no way affect the jurisdiction of the Commission in matters submitted or hereafter submitted with reference to leased utility.

*Chickering & Gregory*, by *Warren K. Gregory*, for Sierra and San Francisco Power Company.

*W. B. Bosley* and *C. P. Cutten*, for Pacific Gas and Electric Company.

*Connick & Kechoc*, for Universal Gas and Electric Company, and *Rudolph Spreckels*, a bondholder of the Sierra and San Francisco Power Company.

MARTIN, *Commissioner*.

OPINION.

The Railroad Commission is asked to authorize Sierra and San Francisco Power Company to lease, pursuant to the terms and conditions of the agreement filed herein and marked Exhibit "D," all of its operative properties to the Pacific Gas and Electric Company.

Sierra and San Francisco Power Company is engaged in the distribution and sale of water for mining, agriculture, manufacturing, domestic and other purposes in Tuolumne County in California, and in the distribution and sale of electricity for lighting, heating and general power purposes in the "Mother Lode District" of Tuolumne and Calaveras counties; in Stanislaus, San Joaquin, Contra Costa,

Alameda, Santa Clara, San Benito and Monterey counties, and in the city and county of San Francisco. During 1918, its gross revenues are reported at \$1,949,056.87, of which about 97 per cent represent earnings from the sale of electricity and 3 per cent earnings from the sale of water. Approximately 62 per cent of the earnings from the sale of electricity were obtained from the United Railroads of San Francisco. The company's hydroelectric plants have a generating capacity of 36,840 k.v.a, its steam plants 22,000 k.v.a., making a total generating capacity of 58,840 k.v.a.

Sierra and San Francisco Power Company reports \$20,000,000 of stock and \$17,000,000 of bonds outstanding. The bonds consist of \$7,500,000 of first mortgage 5's, of \$1,000,000 Series "A" 6's and \$8,500,000 Series "B" 5's. All of the company's stock, except shares necessary to qualify directors, is owned by the California Railway and Power Company, which has given its consent to the execution of the lease.

On May 2, 1918, the Railroad Commission by Decision No. 5376, (Vol. 15, Opinions and Orders of the Railroad Commission of California, page 662) made an order authorizing Sierra and San Francisco Power Company to issue and sell at not less than 80 per cent of their face value and accrued interest, \$1,000,000 of its first mortgage bonds. The company has been unable to sell the bonds at an advantageous figure, and therefore found it impossible to undertake the construction work outlined in the decision. The inability of the company to secure adequate funds to carry forward its development program is, according to the record, one of the principal reasons for the execution of the lease.

It is urged that the lease, as drawn, is primarily designed to carry out the idea which has been advanced in this state very insistently by the Railroad Commission to the effect that the service to the community was a first charge upon public utilities; that it takes care of the property so that it shall be properly maintained and returned to the lessor in full operative condition and that it protects the security holders and stockholders in a fair manner.

The lease is to run for a term of fifteen years. During this period, the Pacific Gas and Electric Company agrees to properly maintain and operate the properties and pay the cost of such maintenance and operation; pay all taxes and governmental charges; pay annually \$30,000 into a fund to amortize bond discount and expense, this amount to be increased if additional bonds are issued by the Sierra and San Francisco Power Company for the purposes hereinafter indicated; pay into a special depreciation fund an amount equal to 2 per cent of the gross revenues obtained by the Pacific Gas and Electric Company from the leased properties, or such other amount as may be fixed by the Railroad Commission; pay bond interest, and pay as rental \$50,000

during the first year of the lease, \$50,000 during the second, \$100,000 during the third and \$150,000 annually during the remaining life of the lease.

The lease contains provisions which are intended to make it impossible for the Pacific Gas and Electric Company to build up a competing company in the territory which the Sierra and San Francisco Power Company holds itself out to serve. The Pacific Gas and Electric Company undertakes to build all necessary extensions to and additions of the property, but such extensions and additions become the property of the Sierra and San Francisco Power Company. For any moneys expended by the Pacific Gas and Electric Company, it will have a lien upon the Sierra and San Francisco Power Company properties, subject of course, to the lien of that company's first and second mortgages.

The lease is drawn up on the theory that Sierra and San Francisco Power Company will issue and be able to sell from time to time its first mortgage bonds, the proceeds of which must be used to pay Pacific Gas and Electric Company. If it is impossible to sell the bonds, the lease provides that they shall be delivered to Pacific Gas and Electric Company and held by it as collateral security for the payment of any advances made during the term of the lease.

The presiding Commissioner recommends the execution of the lease and its approval by the Commission, but it should be distinctly understood that such recommendation does not carry with it any authority to issue bonds, nor should the authority herein granted be interpreted as in any way modifying the order in Decision No. 5376, dated May 2, 1918. Any preceeding for the issue of bonds by the Sierra and San Francisco Power Company is a matter entirely separate and distinct from the execution of this lease, and the terms and conditions under which the Commission might authorize the issue of bonds depend upon the facts and circumstances existing at the time when an application for permission to issue bonds is submitted to the Railroad Commission.

Pacific Gas and Electric Company agrees to pay into a special depreciation fund a sum equal to 2 per cent of the gross operating revenues from the leased properties, or such other amount as may be fixed by the Railroad Commission. The amount paid into this special depreciation fund is intended to take care of the depreciation of the properties that may accrue but which was not realized during the term of the lease. Any moneys paid into the special depreciation fund become the property of the Sierra and San Francisco Power Company, and under the terms of the lease may be invested in extensions, additions and bet-

terments or securities of other corporations. Pacific Gas and Electric Company may also establish a general depreciation reserve for the purpose of taking care of replacements which must be made during the life of the lease. Whether such general depreciation reserve is established or not, Pacific Gas and Electric Company is obligated, under the lease, to maintain the properties in a good operating condition and return them in such condition to the Sierra and San Francisco Power Company at the end of the fifteen-year period. The Commission will give further consideration to the depreciation allowance when more complete evidence is submitted in future proceedings.

John A. Britton, vice president and general manager of the Pacific Gas and Electric Company, testified that it was the present intention of that company to operate the properties of the Sierra and San Francisco Power Company along the same lines that the Pacific Gas and Electric Company is now operating the properties it owns.

Universal Gas and Electric Company and Rudolph Spreckels, a bondholder of the Sierra and San Francisco Power Company, were represented at the hearing by Connick & Kehoe. While counsel for the Universal Gas and Electric Company and Rudolph Spreckels conducted an extensive cross-examination, their apparent purpose was to ascertain whether or not the proposed lease properly takes care of the interests represented by their clients. No protest against the granting of the application was filed prior, during or subsequent to the hearing.

In the opinion of the presiding Commissioner, the lease is distinctly in the interest of the public. For nearly two years the Sierra and San Francisco Power Company has been unable to install very necessary power plants and additional transmission and distribution lines, because of its inability to sell bonds. In the hope that the Railroad Commission would authorize the execution of the lease, considerable preliminary work has been done looking toward the installation of the so-called "Spring Gap plant" three miles above the sand bar flume on the Stanislaus River. Material has been ordered for a second transmission circuit from Port Marion to Salinas in order to improve the service conditions in Salinas and other territory served by the Coast Valleys Gas and Electric Company, which purchases its electrical energy from the Sierra and San Francisco Power Company. Material has also been ordered to strengthen the line from Manteca to Modesto, thence interconnecting from Modesto to Newman with provisions for an additional line to Turlock. Prior to the signing of the lease, the Sierra and San Francisco Power Company started the construction of an additional pipe line at its Stanislaus plant. The estimated cost of these four projects is reported to be in excess of \$1,000,000. The first unit of the

Spring Gap plant will have a capacity of 9000 kilowatts, and assuming a 60 per cent load factor would have a generating capacity of 49,000,000 kilowatt hours per annum. The installation of the additional pipe line at the Stanislaus plant, it is estimated, will result in an increased plant output of 15,000,000 kilowatt hours. The above listed additions and betterments will materially improve service and increase power supply, as well as reduce cost of operation.

No attempt has been made to discuss all the terms and conditions of the lease, and any one interested in such terms and conditions, should examine the lease itself.

I herewith submit the following form of order:

#### ORDER.

Sierra and San Francisco Power Company having applied to the Railroad Commission for permission to lease its operative properties to the Pacific Gas and Electric Company, and Pacific Gas and Electric Company having joined in the application, a public hearing having been held, and the Railroad Commission being of the opinion that such application should be granted subject to the terms and conditions of this order;

*It is hereby ordered*, that Sierra and San Francisco Power Company and Pacific Gas and Electric Company be, and they are hereby, authorized to make and execute a lease of the properties described in this application, such lease to be substantially upon the same terms and conditions as the lease filed herein and marked Exhibit "D," it being understood that such lease, so far as matters of accounts and the operation of the properties are concerned, will be dated as of midnight December 31, 1919, and it being further understood that the authority herein granted to execute such lease will not be interpreted as in any way limiting the jurisdiction of the Railroad Commission in matters which may hereafter be submitted to the Commission for determination.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this seventeenth day of January, 1920.

## DECISION No. 7033.

IN THE MATTER OF THE APPLICATION OF SOUTHERN CALIFORNIA  
EDISON COMPANY, A CORPORATION, FOR AUTHORITY TO ISSUE  
AND SELL BONDS TO THE AMOUNT OF SEVEN MILLION FIVE  
HUNDRED THOUSAND DOLLARS FACE VALUE.

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Application No. 5119.

Decided January 17, 1920.

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BY THE COMMISSION.

**SECOND SUPPLEMENTAL ORDER.**

Whereas, the Railroad Commission, by Decision No. 6864, dated November 24, 1919, as amended, authorized Southern California Edison Company to issue \$7,500,000 of its general and refunding mortgage 6 per cent 25-year bonds of the series of 1919; and

Whereas, conditions 2 and 3 of said Decision No. 6864, as amended, provided that \$2,949,063.42 of the proceeds realized from the sale of said bonds be used to finance construction expenditures during August, September and October, 1919, and the balance of the proceeds be deposited in a special fund or funds and expended only for such purposes as the Railroad Commission might authorize in supplemental order or orders; and

Whereas, in its first supplemental application, applicant asks permission to withdraw cash to the amount of \$842,479.80 from the special fund or funds on account of construction expenditures incurred during November, 1919, and it appearing from an investigation that the expenditures so incurred were for proper capital purposes; now, therefore,

*It is hereby ordered*, that Southern California Edison Company, be, and it is hereby, authorized to withdraw cash in the amount of \$842,479.80 from the special fund or funds created pursuant to the order in Decision No. 6864, dated November 24, 1919, as amended.

*It is hereby further ordered*, that the order in Decision No. 6864, dated November 24, 1919, as amended, shall remain in full force and effect except as modified by this second supplemental order.

Dated at San Francisco, California, this seventeenth day of January, 1920.

## DECISION No. 7034.

IN THE MATTER OF THE APPLICATION OF THE DIRECTOR GENERAL OF RAILROADS, SOUTHERN PACIFIC RAILROAD, FOR AN ORDER AUTHORIZING THE CONSTRUCTION OF SPUR TRACK AT GRADE ACROSS FORTY-SEVENTH, FORTY-EIGHTH, FORTY-NINTH, FIFTIETH, FIFTY-SECOND AND FIFTY-THIRD AVENUES, AND VINE STREET, IN THE CITY OF OAKLAND, COUNTY OF ALAMEDA, STATE OF CALIFORNIA.

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Application No. 5213.

Decided January 17, 1920.

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**GRADE CROSSINGS—SPUR TRACKS—PUBLIC NECESSITY FOR.**—In a growing industrial center it is essential that spur tracks be constructed for the purpose of serving manufacturing plants, and the necessity for such spurs must be weighed against the protests of property owners in the vicinity against their construction. Where it is shown that the benefit to the public in general will more than compensate for the property loss or hazard incurred due to the construction of a spur track, permission for such work will be given.

Applicant authorized to construct a spur track crossing at grade seven streets in the city of Oakland.

*Frank B. Austin*, for United States Railroad Administration-Southern Pacific Company.

*A. J. Treat*, for Federal Wool Manufacturing Company.

*Louis S. Wetmore*, for Libby, McNeill and Libby.

*Charles L. Brown*, for protesting property owners of Melrose Station Tract.

MARTIN, *Commissioner*.

**OPINION.**

In this application the Director General of Railroads, Southern Pacific Railroad, seeks permission to construct a spur track at grade across Forty-seventh, Forty-eighth, Forty-ninth, Fiftieth, Fifty-second and Fifty-third avenues, and Vine street, in the city of Oakland, Alameda County, California. Resolution No. 19537, new series, passed by the Oakland city council, grants permission for the construction of this spur as applied for.

At the request of property owners residing in the Melrose Station Tract, a public hearing was held on January 9, 1920, at San Francisco.

The spur track covered by this application starts in the railroad yard near Melrose Station, swings to the right and runs nearly parallel with and about thirty or forty feet distant from the main line of the Western Pacific Railroad from Forty-eighth avenue to Fiftieth avenue. At Fiftieth avenue the spur runs in and along East Tenth street for about a block and a half and then meanders by a narrow private right of way into the large acreage between Forty-eighth and Fiftieth avenues, where the plants of the Federal Wool Manufacturing Company and of Libby, McNeill and Libby are to be located.

The blocks of land between East Tenth and East Twelfth streets, from Forty-seventh avenue to Fiftieth avenue, are vacant, except for one factory plant on East Twelfth street. The remaining portion of



the district traversed by the spur is rather thickly built up with small residences. The streets in this section, with the exception of Forty-eighth and Forty-ninth avenues, have recently been improved with macadam pavements, concrete gutters and sidewalks. Fiftieth avenue is the only street to be crossed by this spur which extends southerly across the main line tracks of the Central Pacific Railway. All of the streets are open over the main line of the Western Pacific Railroad Company.

The portion of Oakland lying between Twenty-third avenue and Fifty-fourth avenue is rapidly being given over to industrial purposes. This industrial growth will almost certainly continue in the future, until the entire district, including the portion now given over to residences, will be devoted to industrial plants. During such growth it is true that the residence property will depreciate in value as residence property, but will later be enhanced in value as industrial property, as some very high types of factory buildings are planned for immediate erection.

Objection by the property owners of the Melrose Station Tract is based on many reasons, some of which lie outside the province of this Commission and should have been, and probably were, considered by the Oakland city council at the time it passed its resolution granting permission for the construction of the spur. The Commission does not feel that this spur track will interfere seriously, if at all, with the operation of suburban electric trains through Melrose, as the Southern Pacific Company has, or can construct, ample facilities for handling this industrial traffic.

The Commission feels that the spur track should have been located close to the Western Pacific right of way, from Fiftieth avenue to Vine street, but has been furnished with information which leads it to believe that it was impossible to obtain right of way for such location and that the right of way secured is the best that can be obtained at this time.

It is true that the existence of this spur track will increase the hazard to school children and others who will be forced to cross the track. However, the number of trains a day will be few, the speed slow, and all street crossings will have standard signs warning the public of danger. The only increase in hazard offered by this spur track is the additional care required on the part of the public in watching for cars on two tracks instead of one, as this same traffic would have to move over these same streets if the industries were served by the Western Pacific.

Protestants claim that the industries concerned could be better served by a spur track from the main line of the Central Pacific, which would

not cross any streets or avenues. Such a spur, however, would cross the main line of the Western Pacific Railroad Company, which would require the installation of an interlocking plant. The main objection to such a spur would be the necessity of switching by the Southern Pacific engines back and forth through this interlocker over the main line of the Western Pacific, on account of lack of room between the Western Pacific and the Federal Wool Manufacturing Company's plant.

The Commission feels that, while some residence property owners will suffer loss, due to the construction of this spur, and that the street crossings will create additional hazards, these matters must be weighed against the common good, the good of the public at large, and the growth of the city of Oakland. It is well known that the city has made many endeavors to bring in new industries. In this case, the Commission believes that the building of these industries, the growth of the city, etc., will more than compensate for any loss or hazard that might be caused by the construction of this spur. In the industrial growth and development of a city there always inevitably comes some period in a certain section or sections where individual residence property will suffer damage and this is unavoidable if a city is to expand industrially. It is hoped that the location of the spur can be improved or changed at some future time.

#### ORDER.

Director General of Railroads, Southern Pacific Railroad, having on December 27, 1919, applied to the Commission for an order authorizing the construction of a spur track at grade across Forty-seventh, Forty-eighth, Forty-ninth, Fiftieth, Fifty-second, and Fifty-third avenues, and Vine street, in the city of Oakland, county of Alameda, State of California, as hereinafter indicated; a public hearing having been held, and the Commission being fully apprised in the premises, and of the opinion that the application should be granted subject to certain conditions;

*It is hereby ordered*, that the Director General of Railroads, Southern Pacific Railroad, be and he is hereby authorized to construct a spur track at grade across Forty-seventh, Forty-eighth, Forty-ninth, Fiftieth, Fifty-second, and Fifty-third avenues, and Vine street, and in and along East Tenth street, in the city of Oakland, county of Alameda, State of California, as shown on the map attached to the application; said crossings to be constructed subject to the following conditions, and not otherwise:

(1) The entire expense of constructing the crossings shall be borne by the applicant, subject to such agreement as he may have with the industries to be served.

(2) The entire expense of maintaining the crossings in good and first class condition, for the safe and convenient use of the public, shall be borne by the applicant.

(3) Said crossings shall be constructed of a width and type of construction to conform to those portions of the avenues and streets to be crossed now graded, with grades of approach not exceeding four (4) per cent; shall be protected by suitable crossing signs, and shall in every way be made safe for the passage thereover of vehicles and other road traffic.

(4) All trains shall cross the streets from Fiftieth to Fifty-fourth avenues at a speed not exceeding twelve (12) miles per hour.

(5) The Commission reserves the right to make such further orders relative to the location, construction, operation, maintenance and protection of said crossings as to it may seem right and proper, and to revoke its permission if, in its judgment, the public convenience and necessity demand such action.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this seventeenth day of January, 1920.

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DECISION No. 7035.

IN THE MATTER OF THE APPLICATION OF SANTA MARIA GAS AND POWER COMPANY, A CORPORATION, FOR A REVISION OF ITS SCHEDULE OF RATES CHARGED FOR SURPLUS GAS FURNISHED TO USERS THEREOF FOR FUEL UNDER BOILERS FOR GENERATION OF STEAM.

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Application No. 4840.

Decided January 17, 1920.

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**SURPLUS GAS—RATES FOR—POWER PURPOSES.**—Rates charged by applicant for surplus gas used for power purposes are increased though not to the extent that the revenue therefrom will provide a return upon the full value of the property devoted to such use, as deliveries for power purposes are of a surplus product only subject to discontinuance at any time should the supply necessitate, and accordingly must be made at a rate which will permit its use in competition with fuel oil or other fuels.

*Chickering & Gregory*, by Evan Williams, for Applicant.

*P. J. Feeney*, for Santa Maria Steam Laundry and Sanitary Laundry.

BY THE COMMISSION.

**OPINION.**

Santa Maria Gas and Power Company seeks authority to increase its rates now charged for surplus natural gas supplied under its Schedule No. 6, C. R. C. sheet No. 29-G, under which natural gas is sold for use as fuel under steam boilers.

A public hearing was held in the matter by Examiner Westover at Santa Maria. All of the consumers supplied with surplus gas and affected by this proceeding were duly notified of the hearing and only two of them appeared. These, however, offered no evidence and did not object to the proposal to increase rates.

Applicant purchases natural gas in the Santa Maria oil fields and transports and distributes it in Santa Maria, San Luis Obispo and other communities in that vicinity for domestic, commercial and industrial purposes. It has about 2700 consumers, of whom 25 use gas for fuel under boilers at a rate of from 20 cents to 15 cents per thousand cubic feet. This application is directed to the insufficiency of the rates under which these 25 consumers are supplied with surplus gas for boiler fuel. The service in question is in no sense guaranteed by the utility, it being provided in the present schedule of rates that the consumers thus supplied may be required on telephone notice to cease the use of gas when their service interferes with service to domestic consumers. Gas so supplied is referred to by applicant as "surplus gas."

Applicant's presentation is covered fully in fourteen exhibits, setting forth in detail its investment in operative property, its revenues, operating expenses, sales and segregations of all of these items between its regular gas service and its surplus gas service. In many instances applicant has resorted to a segregation of certain items of capital and operating expenses on a pro rata of sales of gas in order to effect an apportionment of its costs to the service of surplus gas herein considered. While in the main these apportionments appear justified, we have nevertheless modified applicant's basis in several respects which in our judgment more clearly reflect the incidental character of its surplus gas service, and set forth in the following table a reasonable apportionment of capital, revenue and operating expenses for the year 1918 as between the regular and surplus gas services:

TABLE I.  
Santa Maria Gas and Power Company Gas Operations—1918.

	Regular gas service	Surplus gas service	Total
Sales of gas, thousand cubic feet.....	104,549	39,303	143,852
Capital .....	\$106,359	\$60,076	\$166,435
Revenue .....	82,512	6,631	89,143
Operating expenses:			
Gas purchased .....	8,655	3,249	11,904
Gas pumping .....	4,046	1,520	5,566
Other transmission expenses.....	2,985	748	3,733
Other distribution expenses.....	13,232	485	13,717
General and miscellaneous.....	20,506	629	21,135
Taxes .....	6,078	487	6,565
Uncollectible accounts .....	676	54	730
Depreciation .....	16,060	2,720	18,780
Total expenses .....	\$72,248	\$9,892	\$82,140
Net income .....	\$10,264	*\$3,261	\$7,003
Rate of return on capital, per cent.....	2.52		1.50

\*Deficit.

The items of capital shown in Table I above are based upon appraisals heretofore approved by the Commission, with such additions and betterments as are recorded in applicant's books of account. It will be noted that applicant's business as a whole is in no sense remunerative. The comparatively low margin of profit which it obtains is due not only to the deficit incurred in the sale of surplus gas, but also to the inordinately high expense incurred in its regular gas service.

This proceeding is limited to a consideration of that portion of applicant's business involved in the sale of surplus gas for fuel purposes, and in using the expenses incidental thereto as set forth in Table I above as measure of the cost of such service, we do not in any sense pass upon the propriety of the other expenses of applicant attaching to its regular gas service, which reflect to a large degree the additional costs incurred in maintaining itself against competition.

As indicative of the value of the particular service herein considered, applicant submits that fuel oil, which is the only direct substitute, commands a price in San Luis Obispo of \$2.20 per barrel in tank wagon lots of from 10 to 20 barrels delivered to consumer's tanks. On the basis of an equivalent of 5000 cubic feet of the gas supplied, which is of a quality approximating 1100 British thermal units per cubic foot, this price for fuel oil is equivalent to a price of 44 cents per thousand cubic feet for gas. This is of importance only as a measure of the upper limit of the value of applicant's gas service, provided it could guarantee to the users thereof a continuous supply of fuel such as would result from the substitution of fuel oil.

From a review of the conditions under which this service is supplied, it appears that a graduated rate of from 30 cents to 25 cents per thousand cubic feet constitutes a reasonable scale of charges for surplus natural gas sold by applicant. Its adoption would increase the average rate for this service from 16.9 cents per thousand to 23.3 cents per thousand, although the increased revenue resulting will not provide sufficient to remove the deficit incurred by this portion of applicant's business. The proposed rate will, however, provide sufficient revenue to reimburse applicant for all of its direct expenses, incidental to surplus gas service, and about two-thirds of the depreciation allowance but no provision for any return upon the capital chargeable to this service. Some improvement in the earnings of applicant's business as a whole will follow, but, even under these conditions, only a moderate return will obtain, if its abnormal expenses due to competition are to be continued.

#### ORDER.

Santa Maria Gas and Power Company having applied to the Railroad Commission for a revision of its rates and charges for surplus gas

supplied for use as fuel under boilers, a hearing having been held, the Railroad Commission of the State of California hereby finds as a fact that the rates now charged for said service are not fair or reasonable rates, and that the rates hereinafter established are, under present conditions, reasonable rates. Based upon the foregoing findings of fact and the other findings of fact contained in the opinion which precedes this order;

*It is hereby ordered*, that Santa Maria Gas and Power Company be, and it is hereby, authorized to charge and collect for natural gas supplied for use as fuel under boilers the following schedule of rates, under the terms and conditions set forth herein:

**Special Boiler Rate for Surplus Gas.**

(Applicable to service of gas for fuel under boilers for generation of steam in all territory served.)

*Rate*—Based on monthly consumption per meter.

First 100,000 cubic feet 30 cents per 1000 cubic feet.

All over 100,000 cubic feet 25 cents per 1000 cubic feet.

Minimum charge, \$15 per month.

***Terms and Conditions.***

The gas supplied under this schedule is surplus gas only, and the service may be discontinued at the option of the company on reasonable notice. Consumers supplied under this rate may be required to discontinue service upon telephonic notice from the company. The company will not be responsible for any injury or damage to property or persons resulting from improper handling of gas by the consumer, and service is accepted under these specific conditions.

The rate herein established shall be effective for all regular meter readings taken on and after the fifteenth day of January, 1920; provided, Santa Maria Gas and Power Company shall, within ten days of the date of this order, file with the Railroad Commission of the State of California the schedule of rates herein established, withdrawing and cancelling its revised sheet C. R. C. No. 29-G, heretofore in effect.

Dated at San Francisco, California, this seventeenth day of January, 1920.

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**DECISION No. 7036.**

**IN THE MATTER OF THE APPLICATION OF SOUTHERN COUNTIES GAS COMPANY OF CALIFORNIA FOR AUTHORITY TO ISSUE AND SELL ADDITIONAL BONDS IN THE AMOUNT OF SIX HUNDRED THIRTY-ONE THOUSAND FIVE HUNDRED DOLLARS.**

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Application No. 4966.

Decided January 17, 1920.

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BY THE COMMISSION.

**SECOND SUPPLEMENTAL ORDER.**

Whereas, the Railroad Commission in Decision No. 6689, dated September 30, 1919, authorized Southern Counties Gas Company of

California to issue \$631,500 of its first mortgage bonds, subject among others to the condition that \$369,593.48 of said bonds be sold by applicant only for such purposes and at such prices as the Railroad Commission might authorize in a supplemental order or orders; and

Whereas, applicant reports that during October and November, 1919, it expended the sum of \$315,170.27 to construct and acquire improvements, extensions, additions and betterments; that because of said expenditures the trustee under its deed of trust is authorized to certify \$315,170.27 of its first mortgage bonds; that prior to November 1, 1919, it incurred expenditures against which the trustee can certify \$235.62 of bonds, making a grand total of \$252,371.84; and

Whereas, applicant asks permission to issue and sell at not less than 83 per cent of their face value and accrued interest \$252,000 of its first mortgage  $5\frac{1}{2}$  per cent bonds; and

Whereas, the engineering department of the Commission reports applicant's expenditures referred to in the second supplemental petition herein to be reasonable, and the Commission being of the opinion that applicant's request should be granted, subject to the conditions herein expressed; now, therefore,

*It is hereby ordered*, that Southern Counties Gas Company of California be, and it is hereby, authorized to issue and sell at not less than 83 per cent of their face value plus accrued interest \$252,000 of its first mortgage  $5\frac{1}{2}$  per cent bonds due May 1, 1936, and use the proceeds to finance the construction and acquisition of the improvements, extensions, additions and betterments referred to in the third supplemental petition herein.

*It is hereby further ordered*, that the order in Decision No. 6689, dated September 30, 1919, as amended, shall remain in full force and effect except as modified by this second supplemental order.

Dated at San Francisco, California, this seventeenth day of January, 1920.

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DECISION No. 7046.

IN THE MATTER OF THE APPLICATION OF PICKWICK STAGES, NORTHERN DIVISION, INCORPORATED, FOR CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY TO OPERATE PASSENGER AND EXPRESS SERVICE BETWEEN MONTEREY AND SALINAS.

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Application No. 4877.

Decided January 17, 1920.

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CERTIFICATES—AUTO STAGES—COMPETITIVE LINES.—A certificate is denied an auto stage company permitting the operation of a competing line between two points at present served by two other stage companies and a railroad company irrespective of the fact that the proposed rate of applicant is lower than that of the

existing stage lines, though higher than the rail carrier, it being held that as the present service is entirely adequate to care for all traffic offered, anyone desiring to avail themselves of the lowest rate offered are privileged to use the service offered by the railroad company.

*N. C. Folsom*, for Applicant.

*Hudson, Martin and Jorgenson*, by *Carmel Martin*, for *R. E. Gorham* and *Merle Kramer*, Protestants.

*G. R. Carpenter*, Protestant.

*F. M. Littlefield*, Protestant.

*Harry T. Hennessey*, for United States Railroad Administration, Southern Pacific Railroad, Protestant.

BY THE COMMISSION.

#### ORDER.

Pickwick Stages, Northern Division, Incorporated, a corporation, has petitioned the Railroad Commission for an order declaring that public convenience and necessity requires the operation by it of an automobile stage line as a common carrier of passengers and express between Monterey and Salinas.

A public hearing on this application was conducted by Examiner Handford at Salinas, the matter was duly submitted, and is now ready for decision.

Applicant proposes to charge rates in accordance with a schedule marked Exhibit "A" and attached to the application in this proceeding and to operate on a schedule of three round trips daily between Monterey and Salinas, using as equipment one Packard touring car, nine-passenger capacity, together with such other equipment as may be necessary in accordance with the demands of travel.

Applicant relies as justification for the granting of this certificate principally on the fact that the proposed line will be an adjunct to the through service now operated by applicant between Los Angeles, San Francisco and intermediate points; it being alleged that many patrons of the through line desire to stop over at Monterey and the granting of the desired certificate would make it possible for connections to be made with the through stages of applicant permitting the side trip, Salinas to Monterey, to be made without any inconvenience or delay. Witnesses for applicant testified as to inquiries made at Salinas for stage service to Monterey and a record of such inquiries covering a period from October 1 to November 3, 1919, indicates that forty-one inquiries were received at the Salinas office of the Pickwick Stages. There was no evidence that applicants making inquiry did not succeed in securing transportation by either of the two present existing stage lines or by the railroad service of the Southern Pacific Railroad.

The granting of this application is protested by *R. E. Gorham* and *Merle Kramer*, each operating a stage line between Salinas and Monterey over the route herein sought by applicant and by the United



States Railroad Administration on behalf of its lessor, Southern Pacific Railroad. Protestants Gorham and Kramer allege that the present service afforded by their respective lines is adequate for the needs of the public desiring stage transportation between Salinas and Monterey; that the stages now carry but an average of but three to four passengers per trip and that more passengers could be carried on existing schedules in that vacant seats are available and that both protestants operating stage lines are willing to increase schedules or equipment if the volume of traffic should warrant such increase. City officials of Monterey testified that, in their opinion, the present stage service was adequate and that the rate charged was a reasonable one, also that no complaints had been heard regarding any inadequacy of service or as to the unreasonableness of the existing stage rate.

The United States Railroad Administration offered evidence regarding tariffs and time schedules as in effect between Monterey and Salinas alleging that the present service afforded was adequate and at reasonable rates for all patrons desiring rail service between the points for which a certificate is sought by applicant herein.

Applicant has proposed a rate of seventy-five cents between Monterey and Salinas, the existing rate of the authorized stage operators over the same route being \$1, and the rate of the Southern Pacific Company being 70 cents. Applicant has offered a more desirable rate between the points proposed to be served than exists over the lines of the existing authorized stage company although such rate is slightly in excess of that offered by the Southern Pacific Railroad. There is no evidence, however, before the Commission in this proceeding which would indicate that the present facilities of the two existing authorized stage lines, together with the facilities offered by the Southern Pacific Railroad for such portion of the public as may desire rail transportation, are not adequate to satisfy fully the demands of traffic between Salinas and Monterey and the service rendered by the existing stage lines has evidently met with the approval of the public as evidenced by the testimony of city officials of Monterey, and a petition signed by one hundred and two patrons of the existing stage lines. There is no evidence before the Commission in this proceeding which would justify the granting of the desired application and the fact that the reduction in fare is proposed over that now charged by the existing stage lines can not be seriously considered as a reason for the granting of this application in view of the fact that there is uncontroverted evidence that the present service and rates of the existing authorized stage lines are satisfactory to the patrons of the existing stage lines and, if the public desires to make the trip between Monterey and Salinas at the

minimum expense, the facilities offered by the Southern Pacific Railroad are available at a lesser rate of fare than that contemplated by applicant herein.

*The Railroad Commission hereby declares, that public convenience and necessity do not require the operation by Pickwick Stages, Northern Division, Incorporated, of an automobile stage line as a common carrier of passengers and express between Monterey and Salinas; and*

*It is hereby ordered, that this application be and the same hereby is denied.*

Dated at San Francisco, California, this seventeenth day of January, 1920.

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DECISION No. 7047.

GEORGE MURRAY CLARK

*vs.*

SHELLEY INCH AND WILLIAM DE CARTERET.

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Case No. 1360.

Decided January 17, 1920.

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TELEPHONE RATES—LINES PARTIALLY CONSTRUCTED BY PATRONS.—The fact that a patron of a telephone utility assisted in the construction of a telephone line from which he receives service in an isolated locality, does not entitle him to receive main line service at a rate lower than that paid by other subscribers of the utility for the same service, that are located within the limits of the city or town where the exchange is installed.

Complainant required to pay a rate equal to that paid by other subscribers of defendant company within the limits of the city of Placerville for similar service; provided, that no other subscribers may be connected with his line by the telephone company if he desires to receive and pay for single-line service.

*George Murray Clark, in propria persona.*

*William De Carteret, for Defendants.*

BRUNDIGE, *Commissioner.*

**OPINION.**

In this case, George Murray Clark alleges that he constructed a telephone line from the city of Placerville, El Dorado County, to the property known as the River Hill mine, during the year 1907; that this line, which is about one and one-half miles in length, was built entirely at his own expense; that he and his father had exclusive use of this line for his properties from 1907 to 1919, with the exception of a short period of time when another party was connected with the line, but which party was later removed from same by the defendants at Mr. Clark's request; and that he had paid a monthly rental of \$1.25 for the use of this line from 1907 to January, 1919.

It developed during the hearing that Mr. Clark did not claim to own the material used in the construction of the line, but that he had

furnished the labor, which he estimated at a cost of about \$200, to build it. It was also brought out that the rate which Mr. Clark was enjoying during this period was due, not to a written agreement but to a verbal understanding between himself and an employee of the Sunset Telephone and Telegraph Company, now the Pacific Telephone and Telegraph Company.

It is my opinion that this case is analogous to thousands of other cases in this state wherein a party contributes a portion of the cost of building a line in order that he may receive telephone service in an isolated place. I further believe that Mr. Clark has been repaid to a great extent for his assistance in the construction of this line by receiving main line telephone service for about twelve years at a rate which is lower than that paid by subscribers within the city of Placerville for four-party line service. For this reason it is my recommendation that he be required to pay the same rate for his service as that required from other subscribers within the city limits of Placerville having the same class of service, so long as he shall bear the whole cost of maintaining in good condition that part of the line located outside the city limits. It is my opinion, however, that Mr. Clark has sufficient equity in the line to warrant his having exclusive use of it if he desires to pay one-party line rates, or, if he chooses to permit other parties on the line outside the city limits, who will share the cost of maintenance with him, each party should pay the same rate as that charged for similar service within the Placerville city limits. In no case shall the defendants connect a subscriber with this line without the written consent of Mr. Clark.

I recommend the following form of order:

#### ORDER.

George Murray Clark, having filed with the Commission a formal complaint against Mr. Shelley Inch and Mr. William De Carteret concerning a telephone line which he assisted in constructing, a public hearing having been held, and the Commission, being fully apprised of the premises, finding as a fact that the majority of the allegations are unsubstantiated;

*It is hereby ordered*, that the complainant be required to stipulate to the defendants, within thirty (30) days, the class of service he desires and that the defendants be required to fulfil the conditions as set forth in the foregoing opinion.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this seventeenth day of January, 1920.

## DECISION No. 7048.

IN THE MATTER OF THE APPLICATION OF THE SANGER TELEPHONE  
COMPANY FOR AUTHORITY TO INCREASE ITS RATES.

Application No. 4828.

Decided January 17, 1920.

DEPRECIATION FUND—USE OF.—An amount to provide for a depreciation fund is added to the rates of a public utility for the specific purpose of providing funds for the renewing of depreciated property, and should not be used for any other purpose such as extensions or betterments but set aside in a special fund and used for replacing such portions of the physical plant as may be necessary due to inadequacy or obsolescence.

*H. F. Knapp*, for the Sanger Telephone Company.

*H. A. Wishard*, for city of Sanger.

*BRUNDIGE*, Commissioner.

## OPINION.

In this application the Sanger Telephone Company, hereinafter referred to as the company, asks the Commission's authority to increase its rates for all classes of its telephone exchange service by approximately one dollar per month for business telephones and 50 cents per month for residence telephones.

## Valuation.

The company did not file an appraisal of its property with the application. However, with the assistance of the company officials, the engineering department of the Commission made an appraisal of the property as of October 1, 1919, which shows a historical reproduction cost new of \$18,827 and a reproduction cost less depreciation of \$13,817.

The present company purchased the exchange plant from a Mr. Ross B. Watkins in May, 1915, for \$11,000 less \$1,142.35, or a net amount of \$9,857.65.

The books of the company show that on October 1, 1919, \$9,477.01 had been added to the original purchase price in additions and extensions, making the total fixed capital investment amount to \$19,334.66. By deducting the depreciation reserve of \$3,474.32 from this amount the net investment in fixed capital is found to be the sum of \$15,860.34. The depreciation reserve was reinvested in plant.

The company has issued no stocks or bonds, therefore it is impossible to determine what portion of the total fixed capital has been furnished by the owner and what portion has been taken out of earnings. However, from studies made of other companies, it would appear within the realm of possibility that an appreciable portion of the present plant had been built out of earnings.

**Operating Revenues and Expenses.**

The applicant states that the reason for the desired increase in its present rates is the fact that the expenses are exceeding the income by from \$30 to \$40 per month in addition to the interest on the investment. It is further stated that applicant desires to pay the telephone employees wages comparing more favorably with those paid by other industries in that vicinity, and that the increase is necessary in order to obtain efficient workers and give the required efficient service. To substantiate its claims the applicant has outlined a salary and wage schedule that will amount to approximately \$125 per month more than that paid at the time the application was filed. This proposed schedule of salaries and wages has been taken into consideration in making a study of the expenses of the company.

The estimated expenses for 1920 made by the engineering department amount to the sum of \$7,257, not including an amount for depreciation of \$750. The total operating revenue for the period from October 1, 1918, to September 30, 1919, is \$7,706.10. If an allowance of 10 per cent is added for the increase in business for 1920, the above figures will give a net return upon the reproduction cost new of approximately 2.5 per cent.

The annual reports of the company show the disposition of the net income for years 1915 to 1918, inclusive, as follows:

Total net income 1915 to 1918, inclusive.....	\$3,889 07
Total appropriations of income, for construction, equipment, betterments, etc. ....	1,535 81
Total amount transferred to credit of corporate surplus.....	2,353 26

An estimate of the net income for 1920 based upon the rate schedule proposed in this decision will give somewhat more than an 8 per cent return upon the reproduction cost new of \$18,827. I believe that, when considering the above return, the Commission should have in mind that the company has paid no dividends during the past five years.

Up to the date of the appraisal, the company has invested the depreciation fund in extensions and betterments. This policy as applied to this company I believe to be unsound and shortsighted. The company should be required to set aside the yearly depreciation and permitted to use this fund for the replacement of physical plant removed on account of depreciation due to wear and tear, decay, inadequacy and obsolescence only.

The depreciation allowance provided for in our engineering department's estimate is added to the rates for the specific purpose of providing sufficient money to insure good service by the renewal of depreciated property that will inevitably take place, from time to time, in the

future. The depreciation reserve should be so held that the money will be available when the renewals are necessary, and it should not be used for any other purpose without permission of this Commission.

#### Rates.

The company has requested that the Railroad Commission authorize a certain rate set forth in their application. This proposed rate is considerably higher than conditions warrant.

It is my opinion that the following rate schedule will give a fair and adequate return. Therefore, I recommend that the Commission order the company to offer the following classes of service and authorize the following rate schedule:

	Per month	
	Business	Residence
1-party, wall -----	\$3 00	\$2 50
2-party, wall -----	2 50	2 25
4-party, wall -----		2 00
6-party, wall -----		1 75
Extensions, wall or desk -----	1 50	1 00
Farmer line telephones -----	60	40

For desk telephones an additional charge of 25 cents per month will be made on all classes of service, except as noted. All rates, except for extensions and farmer lines, are subject to a discount of 25 cents, if paid on or before the tenth day of the month in advance.

All rules and regulations covering service and service charges shall be as provided for in this Commission's Decision No. 2879, decided November 5, 1915.

I recommend the following form of order:

#### ORDER.

The Sanger Telephone Company having filed with the Railroad Commission its application for an increase of rates, a public hearing having been held, the matter having been submitted, and the Commission, basing its conclusions upon the foregoing opinion, finding as a fact that the rates authorized and the classes of service prescribed in this order are just and reasonable;

*It is hereby ordered*, that the applicant is authorized to establish and file with the Commission within thirty (30) days of the date of this order a schedule of rates and services, as outlined in the foregoing opinion. Applicant is authorized to put these rates into effect subject to the following conditions:

(a) Adequate and efficient telephone service must be rendered at all times for all classes of service.

(b) A depreciation reserve of \$750 per annum in instalments of \$62.50 per month shall be set aside in a special fund for the purpose of maintaining the plant in good condition and shall be used for such purpose only or as may be authorized by the Commission.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this seventeenth day of January, 1920.

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DECISION No. 7049.

IN THE MATTER OF THE APPLICATION FOR THE REORGANIZATION  
OF OAKLAND AND ANTIOCH RAILWAY, OAKLAND, ANTIOCH AND  
EASTERN RAILWAY AND SAN RAMON VALLEY RAILROAD.

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Application No. 4555.

Decided January 26, 1920.

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BY THE COMMISSION.

**THIRD SUPPLEMENTAL ORDER.**

Whereas, the Railroad Commission by Decision No. 7026, dated January 12, 1920, authorized San Francisco-Sacramento Railroad Company to execute a deed of trust substantially in the same form as the deed of trust filed in this proceeding on January 9, 1920; and

Whereas, the company has on January 19, 1920, filed with the Commission a copy of its deed of trust as prepared pursuant to the authority granted in Decision No. 7026, and request having been made that the Commission approve said copy; now, therefore,

*It is hereby declared* that the copy of the deed of trust filed on January 19, 1920, by San Francisco-Sacramento Railroad Company, is in satisfactory form and substantially in the same form as the deed of trust filed January 9, 1920, and referred to in Decision No. 7026, dated January 12, 1920.

Dated at San Francisco, California, this twenty-sixth day of January, 1920.

## DECISION No. 7050.

IN THE MATTER OF THE APPLICATION OF EMPIRE TELEPHONE COMPANY, A CORPORATION, AND THE PACIFIC TELEPHONE AND TELEGRAPH COMPANY, FOR AN ORDER AUTHORIZING EMPIRE TELEPHONE COMPANY TO SELL TO THE PACIFIC TELEPHONE AND TELEGRAPH COMPANY ALL OF ITS TELEPHONE PROPERTY IN AND ADJACENT TO EMPIRE, STANISLAUS COUNTY, CALIFORNIA, AND THE PACIFIC TELEPHONE AND TELEGRAPH COMPANY TO PURCHASE AND ACQUIRE THE SAME.

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Application No. 5095.

Decided January 26, 1920.

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BY THE COMMISSION.

**THIRD SUPPLEMENTAL ORDER.**

It is hereby declared that in accordance with the order heretofore made in this proceeding on November 28, 1919, in Decision No. 6896, The Pacific Telephone and Telegraph Company has filed with the Railroad Commission a stipulation duly authorized by its board of directors, in which stipulation said company undertakes and agrees, for itself, its successors and assigns, that it will never claim before the Railroad Commission, or any court, or other public body, a value for the rights, permits, privileges and franchises to use the streets, alleys and highways in and around the town of Empire, whether claimed under permit issued to the Empire Telephone Company by the board of supervisors of Stanislaus County, or claimed under section 536 of the Civil Code of California, or otherwise, in excess of the actual cost to said Empire Telephone Company of acquiring said rights, permits, privileges and franchises, which cost is stated to be the sum of \$10; and that said stipulation is satisfactory to the Railroad Commission.

Dated at San Francisco, California, this twenty-sixth day of January, 1920.



## DECISION No. 7055.

IN THE MATTER OF THE APPLICATION OF NORTHERN CALIFORNIA POWER COMPANY, CONSOLIDATED, A CORPORATION, AND PACIFIC GAS AND ELECTRIC COMPANY, A CORPORATION, FOR AN ORDER OF THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA, AUTHORIZING SAID COMPANIES TO ISSUE REFUNDING AND CONSOLIDATING FIVE PER CENT SINKING FUND FORTY-YEAR GOLD BONDS OF THE NORTHERN CALIFORNIA POWER COMPANY, CONSOLIDATED, IN THE AGGREGATE FACE AMOUNT OF EIGHT HUNDRED SEVENTY-ONE THOUSAND DOLLARS, AND TO USE SAID BONDS AND THE PROCEEDS FROM THE SALE THEREOF FOR THE PURPOSES SET FORTH IN THIS APPLICATION.

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Application No. 5246.

Decided January 26, 1920.

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Applicants authorized to issue \$473,000 face value of 5 per cent 40-year bonds of Northern California Power Company to be issued at not less than \$5 for the purpose of reimbursing treasury and refunding debentures due February 1, 1920, it being understood that an order in the present proceeding will in no way restrict the Commission in determining the amount of securities the Pacific Gas and Electric Company shall issue to secure fund with which to pay for the stock of the Northern California Power Company.

Wm. B. Bosley and C. P. Cutton, for Applicants.

DEVLIN, *Commissioner*.

**OPINION.**

Pacific Gas and Electric Company and Northern California Power Company, Consolidated, in this application as amended at the hearing, ask the Railroad Commission to make an order authorizing the issue of refunding and consolidating mortgage 5 per cent sinking fund 40-year gold bonds of Northern California Power Company, Consolidated, to refund Series "A" 6 per cent debentures of Northern California Power Company, Consolidated, due February 1, 1920, and comply with mortgage and deed of trust executed by said company.

The record shows that pursuant to the authority granted in Decision No. 6681, dated September 23, 1919, and other decisions in Application No. 4789, Northern California Power Company, Consolidated, on October 3, 1919, executed a deed of conveyance by which it granted, sold, assigned and transferred to the Pacific Gas and Electric Company, its successors and assigns forever all of its properties in accordance with the agreements filed in said Application No. 4789.

Pacific Gas and Electric Company purchased the properties of Northern California Power Company, Consolidated, subject to all indebtedness. The payment of the indebtedness has been assumed by Pacific Gas and Electric Company. Of the indebtedness so assumed, \$375,200 is represented by Series "A" 6 per cent debentures of

Northern California Power Company, Consolidated, due February 1, 1920. The debentures were issued under an agreement dated February 1, 1912, which was modified by an agreement of May 3, 1915—the latter agreement extending the maturity of the debentures from February 1, 1915, to February 1, 1920. Under the modified agreement, Northern California Power Company, Consolidated, has the option to pay the debentures in cash or in refunding and consolidating mortgage bonds, such bonds to be taken by the holders of the debentures at 85 per cent of their face value plus accrued interest at the date of delivery. Applicants have concluded to pay the debentures through the issue of bonds and for this purpose would issue approximately \$442,000 of bonds.

Article XV of the mortgage and deed of trust executed by Northern California Power Company, Consolidated, requires the company to pay to the trustee as and for a sinking fund to be especially applied to the redemption of bonds issued under said mortgage and deed of trust, a sum of money equal to 1 per cent of the total amount of said bonds then issued and outstanding on the first day of December in each year during the period beginning on the first day of December, A. D. 1913, and ending on the first day of December, A. D. 1948. Referring to sinking fund payments because of bonds issued after December 1, 1913, article XV reads in part as follows:

If any of said bonds shall be issued at any time after the first day of December, A. D. 1913, then the consolidated company for the purposes of said sinking fund, shall at the time of such issue, pay to the trustee such sum of money or deliver to the trustee so many of said bonds authorized to be issued hereunder, about to be issued or already theretofore issued, or so many of said underlying bonds already theretofore issued under any deed of trust or mortgage of any of said prior lien mortgages of said constituent companies, at par and accrued interest, as will be equivalent to the aggregate of all sums of money which would theretofore have been paid to said trustee for the purposes of such sinking fund in respect of said bonds issuable hereunder if they had been issued before the first day of December, A. D. 1913.

Applicants ask that Northern California Power Company, Consolidated, be permitted to issue a sufficient amount of bonds, approximately \$30,940, and deliver such bonds to the trustee to comply with the sinking fund provision, to which reference has been made.

Applicants report that Northern California Power Company, Consolidated, since the execution of its refunding and consolidating mortgage expended \$2,627,437.81 for betterments and extensions and that no part of the moneys expended for such purposes were obtained through the issue of stock, bonds, or other evidences of indebtedness. The issue of part of the bonds applied for in this application is for the purpose of reimbursing the treasury of Northern California Power Company, Consolidated. After such reimbursement, part of the bonds will be delivered to the trustee for sinking fund purposes and part used

to refund outstanding debentures. The relatively small amount of the bonds applied for, as compared with the total expenditures, makes it unnecessary at this time to make a detailed check of the expenditure. Such check is further obviated by the statement of counsel that any order which the Commission may make in this proceeding would not be interpreted by the company as foreclosing the Commission to hereafter determine what amount of stocks and bonds Pacific Gas and Electric Company may issue for the purpose of securing funds with which to pay for the stock of Northern California Power Company, Consolidated.

I herewith submit the following form of order:

**ORDER.**

Pacific Gas and Electric Company and Northern California Power Company, Consolidated, having applied to the Railroad Commission for permission to issue bonds of Northern California Power Company, Consolidated, a public hearing having been held, and the Commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose or purposes specified in this order, and that the expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income;

*It is hereby ordered*, that Pacific Gas and Electric Company and Northern California Power Company, Consolidated, be, and they are hereby, authorized to issue approximately \$473,000 of refunding and consolidating mortgage 5 per cent sinking fund 40-year gold bonds of Northern California Power Company, Consolidated.

The authority herein granted is upon the following conditions, and not otherwise:

1. The bonds herein authorized shall be issued for the purpose of reimbursing the treasury of Northern California Power Company, Consolidated, and refunding Series "A" debentures of Northern California Power Company, Consolidated, due February 1, 1920, it being understood that any bonds issued for the purpose of reimbursing the treasury of Northern California Power Company, Consolidated, and not necessary to refund the debentures, will be delivered to the trustee under the mortgage and deed of trust executed by Northern California Power Company, Consolidated, to meet sinking funds payments provided for therein.

2. The bonds herein authorized to be issued shall be sold for not less than 85 per cent of their face value plus accrued interest.

3. Pacific Gas and Electric Company and Northern California Power Company, Consolidated, shall keep such record of the issue and sale of the bonds herein authorized and of the disposition of the proceeds as

will enable them to file on or before the twenty-fifth day of each month a verified report, as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

4. The authority herein granted to issue bonds will not become effective until applicants have paid the fee prescribed in the Public Utilities Act.

5. The authority herein granted will apply only to such bonds as may be issued on or before June 30, 1920.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-sixth day of January, 1920.

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DECISION No. 7057.

IN THE MATTER OF THE APPLICATION OF SAN JOAQUIN LIGHT  
AND POWER CORPORATION TO ISSUE THIRTY-FIVE THOUSAND  
SHARES OF ITS PRIOR PREFERRED STOCK.

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Application No. 5207.

Decided January 26, 1920.

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Applicant authorized to issue \$3,500,000 of its 7 per cent prior preferred stock to be sold at not less than 94, the proceeds thereof to be used to pay in part construction expenditures incurred and to be incurred for additions and betterments to its electric generating and transmission system.

*Murray Bourne*, for Applicant.

LOVELAND, *Commissioner*.

**OPINION.**

San Joaquin Light and Power Corporation asks permission to issue 35,000 shares (\$3,500,000) of its 7 per cent prior preferred stock.

Applicant in Exhibit No. 1 reports that on November 30, 1919, it had an authorized stock issue of \$25,000,000 divided into \$10,000,000 of 6 per cent cumulative preferred and \$15,000,000 of common. Of the preferred, \$6,500,000, and of the common, \$11,000,000, or a total of \$17,500,000, was outstanding.

The record shows that applicant's stockholders, at a meeting held December 23, 1919, authorized the amendment of applicant's articles of incorporation so as to provide for a total stock issue of \$25,000,000, divided into \$7,500,000 of 7 per cent prior preferred, \$6,500,000 of 6 per cent preferred, and \$11,000,000 of common. The effect of the

amendment is a reclassification of applicant's stock. The unissued \$3,500,000 of 6 per cent preferred and \$1,000,000 of common is changed into \$7,500,000 of 7 per cent prior preferred.

During the past few years, applicant has financed its construction through the sale of its first and refunding mortgage bonds and 10-year debentures. Representatives of applicant recognize that a public utility should obtain part of the moneys it invests in plant in some manner other than through loans, and they have therefore suggested to the stockholders a reclassification of the stock, with the hope that it will be possible for applicant to hereafter finance its construction through the sale of its first and refunding mortgage bonds and its prior preferred stock. It is not the intention of applicant to issue any more debentures.

While applicant asks permission to issue the 7 per cent prior preferred stock at not less than 94 net to the company, Mr. A. E. Peat, treasurer and comptroller of the San Joaquin Light and Power Corporation, testified that the company would sell the stock at the highest price obtainable.

In Exhibit No. 1, prepared by Mr. G. R. Kenny, applicant's valuation engineer, applicant reports \$5,205,580.11 of expenditures incurred, or to be incurred, prior to December 31, 1920, for the financing of which the Railroad Commission has not authorized the issue of any stocks or securities. As stated in former decisions, applicant is now engaged in building a 45,000-horsepower hydroelectric generating plant on the San Joaquin River. The record herein shows that applicant is also engaged in installing at an estimated cost of \$950,000 a new steam unit with a generating capacity of 12,500 kilowatts at its Bakersfield plant and that it intends to proceed during 1920 with its Kings River development, for which it estimates an expenditure of \$2,500,000 during this year. Applicant's Exhibit No. 1 further contains a statement of expenditures, incurred or to be incurred, to take care of its normal increase in business, and construct transmission and distribution lines and substations to enable it to give better service.

I herewith submit the following form of order:

#### ORDER.

San Joaquin Light and Power Corporation, having applied to the Railroad Commission for permission to issue \$3,500,000 of its 7 per cent prior preferred stock, a public hearing having been held, and the Commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose or purposes specified in the order, and that the expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income;

*It is hereby ordered*, that San Joaquin Light and Power Corporation be, and it is hereby, granted authority to issue \$3,500,000 of its 7 per cent prior preferred stock.

The authority herein granted is subject to the following conditions:

1. The stock herein authorized to be issued shall be sold by San Joaquin Light and Power Corporation, for cash, at not less than \$94 per share net.

2. The proceeds from the sale of the stock herein authorized shall be used by San Joaquin Light and Power Corporation to pay in part the construction expenditures referred to in its Exhibit No. 1 on file in this proceeding.

3. San Joaquin Light and Power Corporation shall keep such record of the issue and sale of the stock herein authorized and of the disposition of the proceeds as will enable it to file on or before the twenty-fifth day of each month a verified report, as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

4. The authority herein granted will apply only to such stock as may be issued on or before December 31, 1920.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-sixth day of January, 1920.

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DECISION No. 7058.

IN THE MATTER OF THE APPLICATION OF SOUTHERN PACIFIC COMPANY FOR AN ORDER OF THE COMMISSION AUTHORIZING THE PROPOSED LEASE OF ITS RAILROAD LINE BETWEEN SEELEY AND EL CENTRO, BOTH IN IMPERIAL COUNTY, CALIFORNIA, TO SAN DIEGO AND ARIZONA RAILWAY COMPANY.

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Application No. 5236.

Decided January 26, 1920.

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*Frank Karr*, for Southern Pacific Company.

*R. G. Dilworth*, for San Diego and Arizona Railway Company.

LOVELAND, *Commissioner*.

**OPINION.**

The Railroad Commission is asked to make an order authorizing Southern Pacific Company to lease to San Diego and Arizona Railway Company, which joins in the application, for a term of ten years, its El Centro-Seeley line, 8.731 miles, in accordance with the terms and conditions of the lease attached to the petition herein.

The original cost of the railroad, rights of way and appurtenances is reported at, \$183,270. For the purpose of the lease agreement the present value of the properties is assumed to be equal to the original cost. The lessee agrees to pay an annual rental equal to 6 per cent on the \$183,270, and on the cost of all additions, betterments and improvements chargeable to investment accounts and made upon or to the railroad property at the expense of the Southern Pacific Company.

San Diego and Arizona Company's main line of railroad was projected to extend between El Centro and San Diego, California. The line has actually been constructed and is now in operation between Seeley and San Diego. Between Seeley and El Centro, the San Diego and Arizona Railway Company operates over the Southern Pacific line which it proposes to lease. The El Centro-Seeley line of the Southern Pacific Company is now being reconstructed and heavier rails laid, in order that better and more frequent service can be, and which will be, given by the lessee.

I herewith submit the following form of order:

#### ORDER.

Southern Pacific Company having applied to the Railroad Commission to lease to San Diego and Arizona Railway Company the property described in the order herein, a public hearing having been held, and the Commission being of the opinion that this application should be granted;

*It is hereby ordered*, that Southern Pacific Company be, and it is hereby, authorized to lease to San Diego and Arizona Railway Company, pursuant to the terms and conditions of the lease attached to the petition herein, that certain railroad extending from El Centro to Seeley, California, and described as follows:

Beginning at a point near said El Centro known as Engineer's Survey Station 3234 plus 53.3, which is 13.0 feet west of and at right angles from Engineer's Survey Station "H" 1645 plus 19.9 of the Inter-California Railway in lot 35, section 32, township 15 south, range 14 east, San Bernardino base and meridian; thence in a general westerly direction along the railroad of the Southern Pacific Company as constructed to a point near said Seeley known as Engineer's Survey Station "L2" 2773 plus 00.0 in the southeast quarter of section 1, township 16 south, range 12 east, San Bernardino base and meridian, a distance of 8.731 miles more or less—

together with all appurtenances thereto belonging, including right of way, station grounds, tracks, structures and other railroad facilities.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-sixth day of January, 1920.

## DECISION No. 7062.

IN THE MATTER OF THE APPLICATION OF EAST BAY WATER COMPANY, A CORPORATION, FOR AN ORDER AUTHORIZING ISSUE OF BONDS AND ISSUE OF CLASS "A" SIX PER CENT CUMULATIVE PREFERRED STOCK.

Application No. 5212.

Decided January 27, 1920.

Applicant authorized to issue \$406,221 par value of preferred stock and \$1,662,339 face value of bonds, stock to be sold at not less than 78 and bonds at not less than 85, the proceeds obtained therefrom to be used partly to reimburse treasury covering capital expenditures made and for future extensions and improvements to its plant.

W. E. Creed, for Applicant.

BRUNDIGE, Commissioner.

## OPINION.

East Bay Water Company asks permission to issue \$1,662,339 of its 5½ per cent first mortgage bonds due January 1, 1946, and \$406,221 of its class "A" 6 per cent cumulative preferred stock.

Applicant reports that it has expended to November 1, 1919, on its San Pablo project the sum of \$2,124,151.81, which includes \$119,247 expended from January 1, 1918, to November 1, 1919, against which it issued no bonds. From November 1, 1919, to July 1, 1920, applicant estimates its expenditures on its San Pablo project at \$1,197,000, consisting of the following:

Earth fill—1,230,000 yards at 42 cents-----	\$516,600 00
Wasteway at dam (2)-----	120,000 00
Outlet tunnel and wildcat shaft—concrete lining, 5000 feet at \$15-----	75,000 00
San Pablo filters and pipe line-----	385,000 00
Engineering and incidental expense-----	100,400 00
Total -----	\$1,197,000 00

For general construction, applicant reports an expenditure of \$784,678.55 from July 1, 1918, to November 1, 1919. From this expenditure applicant deducts \$90,000 because of the investment of part of its reserve for accrued depreciation and \$174,000 realized from the sale of lands, leaving \$490,678.55 against which it desires to issue bonds and stock.

From November 1, 1919, to July 1, 1920, applicant estimates its general construction expenditures at \$431,000, of which it intends to pay \$60,000 by investing part of its reserve for accrued depreciation and \$100,000 through the sale of lands, leaving \$271,000 against which it asks permission to issue stock and bonds.

Under its mortgage, applicant may call upon the trustee to certify bonds "to aid in acquiring and providing for 80 per cent of the cost



of betterments, improvements or extensions of the works of the company or acquisition of new property of the company." The \$1,662,339 of bonds which applicant desires to issue is equal to approximately 80 per cent of the following expenditures incurred or to be incurred:

Expenditures on San Pablo project from January 1, 1918, to November 1, 1919, against which no bonds have been issued----	\$119,247 00
Estimated expenditures on San Pablo project from November 1, 1919, to July 1, 1920-----	1,197,000 00
General construction expenditures from July 1, 1918, to November 1, 1919-----	490,678 55
Estimated general construction expenditures from November 1, 1919, to July 1, 1920-----	271,000 00
Total -----	\$2,077,925 55

The \$406,221 of stock which applicant asks permission to issue represents approximately 20 per cent of the following actual or estimated expenditures:

Expenditures on San Pablo project from January 1, 1918, to November 1, 1919, against which no stock has been issued----	\$72,427 00
Estimated expenditures on San Pablo project from November 1, 1919, to July 1, 1920-----	1,197,000 00
General construction expenditures from July 1, 1918, to November 1, 1919-----	490,678 55
Estimated general construction expenditures from November 1, 1919, to July 1, 1920-----	271,000 00
Total -----	\$2,031,105 55

W. E. Creed, president of the East Bay Water Company, testified that, in his opinion, the sale of the stock and bonds herein referred to will enable applicant to fully finance its San Pablo project, including filter plant, tunnels and all appurtenances.

Applicant asks authority to use the proceeds obtained from the sale of its bonds and stock to reimburse its treasury and finance the construction expenditures referred to in its petition. To carry forward its construction work, applicant has borrowed, as shown in its Exhibit No. 12, on short term notes the sum of \$1,013,132.39. This indebtedness, according to the record, will be paid as and when applicant can sell the stock and bonds which the Commission may authorize it to issue and sell.

Applicant asks permission to sell its bonds at not less than 85 per cent of their face value plus accrued interest or, pending such sale, pledge them on the bank law basis. The Commission is not advised as to the term of the notes, for the payment of which the bonds would be pledged, and therefore the matter of pledging the bonds, if it should become necessary to do so, will have to be covered in a supplemental order in this proceeding.

I herewith submit the following form of order:

**ORDER.**

East Bay Water Company having applied to the Railroad Commission for permission to issue stock and bonds, a public hearing having been held and the Commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose or purposes specified in this order, and that the expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income;

*It is hereby ordered*, that East Bay Water Company be and it is hereby granted authority to issue not exceeding \$406,221 par value of its class "A" 6 per cent cumulative preferred stock and not exceeding \$1,662,339 of its 5½ per cent first mortgage bonds due January 1, 1946.

The authority herein granted is upon the following conditions and not otherwise:

1. The stock herein authorized to be issued shall be sold by applicant for cash at not less than \$78 per share, and the bonds for not less than 85 per cent of their face value plus accrued interest.

2. The proceeds obtained through the sale of the stock and bonds herein authorized shall be used by applicant to reimburse its treasury for moneys actually expended from its income and not secured by or obtained from the issue of stock, bonds, notes or other evidences of indebtedness, said moneys having been paid out in the construction expenditures shown in the schedules attached to the petition, and to provide applicant with funds for the construction, extension and improvement of its facilities, more specifically set forth in the schedules attached to the petition herein.

3. East Bay Water Company shall keep such record of the issue and sale of the stock and bonds herein authorized and of the disposition of the proceeds as will enable it to file on or before the twenty-fifth day of each month a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

4. The authority herein granted to issue bonds will not become effective until applicant has paid the fee prescribed by the Public Utilities Act.

5. The authority herein granted will apply only to such stock and bonds as may be issued and sold prior to November 30, 1920.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-seventh day of January, 1920.

46—47416

## DECISION No. 7064.

IN THE MATTER OF THE APPLICATION OF PALO VERDE AND IMPERIAL VALLEY TRANSPORTATION COMPANY FOR CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY TO OPERATE AUTO FREIGHT TRUCK SERVICE BETWEEN LOS ANGELES AND BRAWLEY, IMPERIAL, EL CENTRO, AND BLYTHE, CALIFORNIA, AND INTERMEDIATE POINTS.

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Application No. 5107.

Decided January 27, 1920.

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CERTIFICATES—AUTO STAGES.—The Commission can not, in the absence of an affirmative showing that adequate service does not already exist, authorize the establishment of auto truck service in a district, merely for the purpose of permitting an auto carrier to extend service so as to make his line profitable. Certificate granted with restrictions as to points already receiving adequate service.

*H. L. Boutell*, for Applicant.

*M. W. Read* and *C. K. Adams*, for United States Railroad Administration; The Atchison, Topeka and Santa Fe Railroad, Protestant.

*Harry T. Hennessey*, for United States Railroad Administration; Southern Pacific Railroad, Protestant.

*M. Thompson*, for American Railway Express, Protestant.

*A. E. Warmington*, for California Southern Railroad, Protestant.

*M. Kagarise*, for Keystone Express, Protestant.

BY THE COMMISSION.

**ORDER.**

H. L. Boutell and H. S. Fuqua, partners in business under the firm name and style of Palo Verde and Imperial Valley Transportation Company, have petitioned the Railroad Commission for an order declaring that public convenience and necessity require the operation by them of an auto freight truck line between Los Angeles, Beaumont, Imperial, El Centro, Blythe and intermediate points.

A public hearing on this application was conducted by Examiner Handford at Los Angeles on December 23, 1919, the matter was duly submitted, and is now ready for decision.

Applicants propose to charge rates in accordance with a schedule marked Exhibit "A" and attached to the application in this proceeding and to operate on a schedule of one round trip daily, except Sundays and holidays, using as equipment two Packard trucks, six-ton capacity, with six-ton trailers, between Los Angeles and Coachella, and three Packard trucks, two-ton capacity, between Coachella, Blythe and Imperial Valley points.

Applicants rely, as justification for the granting of a certificate of public convenience and necessity over the route herein sought, upon the alleged fact that numerous requests have been received for service

to and from Imperial and Palo Verde points, and allege, by reason of the truck service, deliveries may be made at all destinations during the morning hours of the second day and that this expedited service, when compared with the alleged time required on the railroads on less than carload business of from seven to ten days between Los Angeles and Blythe and from four to five days between Imperial Valley points and Los Angeles, will meet the demands of the public for an expedited service over the routes herein proposed. Witnesses on behalf of applicant testified as to conditions existing at Coachella, Thermal and Mecca. The president of the Chamber of Commerce of Coachella testified that the residents and merchants of such community would welcome the establishment of a truck line to Los Angeles, alleging that considerable trouble has been occasioned by reason of delayed shipments, and that many commodities, formerly transported by less than carload freight, now are handled by express and that the shippers of Coachella and the adjacent communities would be able by the expedited service to market many of their products in Los Angeles for which there is at present no opportunity for sale. The secretary of the Board of Trade of Thermal testified that the need existed for a truck service and that the territory between Thermal and Mecca produces a considerable tonnage of vegetables and similar products, the better grades of such products being shipped East, but the grades not suitable for the Eastern market could be disposed of in the Los Angeles market, provided that service, such as is offered by applicant herein, was available to the shippers and producers in such section. Complaint exists in the communities above mentioned regarding the slow deliveries of less than carload freight between Los Angeles, Thermal, Mecca and Coachella.

The granting of this application is protested by the United States Railroad Administration on behalf of its lessors, the Southern Pacific Railroad and The Atchison, Topeka and Santa Fe Railway; the American Railway Express; the California Southern Railroad Company; and the Keystone Express.

The Southern Pacific Railroad operates freight service between Beaumont and Niland for less than carload freight every other day; for Imperial Valley points service, daily except Sunday, in each direction.

The California Southern Railroad, operating in the Palo Verde Valley, are operating freight service daily except Sunday, and claim to be furnishing a satisfactory and adequate service; in fact, the only witness testifying for applicant as to conditions in the vicinity of Blythe and the Palo Verde Valley testified that the service on shipments, as rendered by the California Southern Railroad, was entirely satisfactory. This protestant claims that the operation of its line results in a deficit, there being about three months in the year in which practically

no volume of freight is hauled, although regular service is maintained that the residents of the Palo Verde Valley may receive proper accommodation. A through express car is operated to Blythe from Los Angeles and freight leaving Los Angeles arrives at Blythe on the second morning, which is equivalent to the service offered by the applicant herein, and it is further alleged that no car shortage has existed on the line of the California Southern Railroad and that additional service will be supplied at any time that the demands of the traffic will justify same. It is also alleged that a new extension of this line is about to be made to serve the new town of Ripley and the territory tributary thereto. This extension is being made, notwithstanding the great expense occasioned this protestant by reason of bad washouts which have occurred during the past year.

The rates proposed by the applicants between Los Angeles and Blythe are the same rates as the combination of rates of The Atchison, Topeka and Santa Fe Railway and the California Southern Railroad.

A witness for the American Railway Express testified as to the rates and service between Los Angeles and the points sought by applicants, such rates being higher in every instance than those proposed by applicants, but the service, shipments being handled on passenger trains, is quicker than that proposed by applicants whose service more closely approximates that handled by the railroads as less than carload freight. The comparison of the rates, as proposed by applicants, with the less than carload rates of the Southern Pacific Company, indicates that the rates of the applicants are slightly higher than those of the Southern Pacific Railroad between Los Angeles and Beaumont, Banning, Whitewater, Palm Springs, Indio, Coachella, Mecca, Brawley, Imperial and El Centro, and such higher rates may be justified in view of the fact that applicant contemplates store door pick-up and delivery within certain city limits at all points except Los Angeles; it being contemplated to establish a depot in Los Angeles, at which point all shipments will originate and be delivered.

After careful consideration of all the evidence in this proceeding, we do not find that any showing has been made by applicants which would justify the granting of a certificate of public convenience and necessity between Los Angeles, Beaumont, Banning, San Bernardino, Blythe, Brawley, Imperial or El Centro. As to the territory between Los Angeles, Whitewater, Palm Springs, Indio, Coachella and Mecca: The present freight service three times per week in each direction evidently does not meet the requirements of the shippers and receivers of freight in such territory and the establishment of the proposed line may result in a sufficient volume of business being developed to justify its operation. The Commission can not, however, in the absence of affirmative testimony, authorize the establishment of a new carrier into

districts regarding which there is no showing that adequate service does not already exist, for the purpose of permitting an applicant to serve sufficient territory and to make his operation profitable, and the evidence before us in this proceeding does not indicate that the residents of the communities in the Palo Verde Valley or Imperial Valley will receive any better service by the proposed truck line or at as favorable rates as those now in effect on the lines of the rail carriers serving such communities. There is also no showing that there is any desire on the part of residents of Beaumont, Banning or San Bernardino for the establishment of additional service between Los Angeles and such points or from such points to the other territory for which certificate is desired.

The Railroad Commission hereby declares that public convenience and necessity requires the operation by H. L. Boutell and H. S. Fuqua, as partners in business under the firm name and style of Palo Verde and Imperial Valley Transportation Company, of an automobile truck line as a common carrier of freight between Los Angeles, Whitewater, Palm Springs, Indio, Coachella and Mecca; provided, however, that this certificate does not authorize the carriage of any freight locally between Los Angeles and Banning and intermediate points, through service between Los Angeles and the territory between Whitewater and Mecca being that hereby authorized. It is further provided that the rights and privileges hereby granted may not be transferred or assigned unless the written consent of the Railroad Commission to such transfer or assignment has first been secured.

*It is hereby ordered*, that no vehicle may be operated under this certificate unless such vehicle is owned by the applicants herein or is leased by such applicants under a contract or agreement on a basis satisfactory to the Railroad Commission.

*It is hereby further ordered*, that applicants herein shall, within ten days from the date of service of this order, file a written acceptance of this certificate with the Railroad Commission.

The Commission reserves the right to make such other and further orders in this proceeding as to it may appear just and proper, or as, in its opinion, the public convenience and necessity may demand.

Dated at San Francisco, California, this twenty-seventh day of January, 1920.

## DECISION No. 7067.

IN THE MATTER OF THE APPLICATION OF GEORGE L. PAYNE AND THE SONOMA VALLEY WATER, LIGHT AND POWER COMPANY FOR AN ORDER OF THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA AUTHORIZING GEORGE L. PAYNE TO CONVEY TO SONOMA VALLEY WATER, LIGHT AND POWER COMPANY ALL HIS RIGHT, TITLE AND INTEREST IN AND TO A CERTAIN PUBLIC UTILITY.

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Application No. 5242.

Decided February 3, 1920.

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BY THE COMMISSION.

**ORDER.**

George L. Payne having made application for permission to transfer to Sonoma Valley Water, Light and Power Company all his right, title and interest in and to the property of said Sonoma Valley Water, Light and Power Company, a public utility water system, and to be relieved of his public utility obligations therein, and the Commission being of the opinion that a hearing is not required, and that public convenience and necessity will be served by the transfer;

*It is hereby ordered*, that George L. Payne is hereby authorized to transfer to Sonoma Valley Water, Light and Power Company, by good and sufficient deed, without conditions of any kind or nature, all his right, title and interest in and to the public utility water system supplying consumers in the towns of Sonoma and El Verano and vicinity, and more particularly described in a certain deed of trust from Sonoma Valley Water, Light and Power Company to First Federal Trust Company, dated August 26, 1914, and recorded at page 472 of book 313 of Deeds, records of Sonoma County, California, on September 10, 1914, upon the following conditions and none other:

1. That the transfer herein authorized shall be completed within ten days from the date of this order.
2. That within sixty days from the date of transfer, certified copy of the deed shall be filed with this Commission.

Dated at San Francisco, California, this third day of February, 1920.

## DECISION No. 7069.

IN THE MATTER OF THE APPLICATION OF F. S. LABADIE FOR PERMISSION TO INCREASE WATER RATES AT CAMPTONVILLE.

Application No. 4366.

Decided February 5, 1920.

*F. S. Labadie, in propria persona.*

*Richard Belcher, for Consumers.*

BY THE COMMISSION.

## OPINION.

Applicant in the above entitled matter is the owner of a public utility water system and is engaged in the business of selling and distributing water for domestic and irrigation purposes in Camptonville, Yuba County, California.

A public hearing was held in this matter at which applicant testified that the present rates are not sufficient to meet the operating expenditures and provide a reasonable interest on his investment, and requests that a 20 per cent increase be granted.

The rates at present in effect are as follows:

To consumers who dip water from the flume-----	\$0 25 per week
To consumers who have water piped to their premises-----	50 per week
Meek Mercantile Company-----	2 50 per week
Pauley Brothers (stable)-----	1 50 per week
Pete Peterson -----	1 25 per week

The reservoir which supplies water for this utility, and the ditch leading to it from Campbell's Gulch, were constructed in about 1853 and the water was used to operate a mill. Later a pipe line was installed through the town of Camptonville for the purpose of furnishing water for domestic and irrigation use, and the system as a whole has since been operated as a public utility.

The consumers under this system filed formal protest against paying any higher rates, it being alleged by them that the water is unfit for domestic use; that the supply is inadequate, and that the system is in a condition of disrepair and in need of improvements.

It appears that the matter of the sanitary conditions existing under this system was made a matter for investigation by the State Board of Health and that a report has been filed by them setting out recommendations that appear to be just and reasonable to both the consumers and the utility.

An estimate of the original cost of the system was submitted by Mr. Wm. Stava, one of the Commission's hydraulic engineers, of \$3,218, and an annual replacement fund of \$36. It was testified at the hearing that the purchase price of the system was \$1,300.



Recently a new 8-inch flume was installed at a cost of \$400. At present the company has on hand 2200 feet of 4-inch redwood pipe, and the installation of this, together with additional services, will cost approximately \$1,400. Thus the estimated total investment will amount to \$3,100.

Basing his estimate of the probable annual maintenance and operation expenses of this system on a comparison with similar systems, Mr. Stava submits the following:

Superintendence .....	\$360 00
Repairs .....	100 00
General expense .....	100 00
<b>Total .....</b>	<b>\$560 00</b>

The total annual charges properly chargeable against the consumers are estimated as follows:

Interest on \$3,100 at 8 per cent .....	\$248 00
Operating expense .....	500 00
Replacement fund at 6 per cent .....	36 00
<b>Total .....</b>	<b>\$844 00</b>

The evidence shows that applicant has a yearly income of \$734, from the following sources:

Domestic water use .....	\$584 00
Irrigation water use .....	30 00
Applicant's water use .....	121 00

With the extension of the new pipe line, the income will be increased by at least \$65 per month by furnishing service through pipes to consumers who now dip water from the flume.

It was also shown that there is a demand for 46 inches additional water for irrigation purposes for a period of about five months of each year. It appears that the water is available and that applicant's income could be materially increased by these sales.

It is apparent, upon the showing made, that no increase in the present rates is justified, and that the application should be denied, but it further appears that the present form of rate is unsatisfactory. The schedule established in the following order changes the rate from a weekly basis to a monthly basis and is designed to produce the same income now being received by applicant.

It is shown by the evidence submitted that consumers' contention in regard to the quality of the water furnished, the condition of the system, and the inadequacy of the supply, has merit. The State Board of Health has made its recommendations in relation to methods of removing the cause of the poor quality of the water, and we can not urge too strongly that applicant proceed with diligence in the manner outlined by the State Board of Health in its recommendations.

**ORDER.**

F. S. Labadie having applied for authority to increase the rates charged for domestic and irrigation water supplied by a public utility water system owned and operated by him to consumers at Camptonville, Yuba County, a public hearing having been held, and the Commission being fully apprised in the premises;

It is hereby found as a fact, that the evidence submitted does not justify an increase of rates.

And basing its order upon the foregoing finding of fact and upon the other statements of fact contained in the opinion which precedes this order;

*It is hereby ordered*, that the application of F. S. Labadie for authority to increase rates be and the same is hereby denied.

*It is further ordered*, that the following schedule of rates, being a change from the weekly basis to a monthly basis and designed to produce the same income as now being received by applicant, be and the same is hereby established; said schedule to be placed on file with the Railroad Commission within twenty days of the date of this order and to be placed in effect on and after March 1, 1920:

To consumers who dip water from the flume.....	\$1 10 per month
To consumers who have water piped to their premises.....	2 20 per month
School .....	1 50 per month
Meek Mercantile Company.....	11 00 per month
Pauley Brothers (stable).....	6 00 per month
Hotel .....	8 00 per month

All irrigation, for a season of six months for 1000 square feet, or less, 50 cents per month; for each additional 1000 square feet or fraction thereof, 25 cents per month.

Dated at San Francisco, California, this fifth day of February, 1920.

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**DECISION No. 7070.**

**IN THE MATTER OF THE APPLICATION OF CALIFORNIA WHARF AND WAREHOUSE COMPANY, A CORPORATION, FOR APPROVAL OF THE RENEWAL OF A WHARF FRANCHISE.**

**Application No. 5260.**

**Decided February 5, 1920.**

*Creed, Jones and Dall*, for Applicant.

**BY THE COMMISSION.**

**ORDER.**

California Wharf and Warehouse Company, having been granted, on January 5, 1920, for a period of twenty years, by the board of

supervisors of Contra Costa County, a renewal of the franchise theretofore granted to it on November 3, 1902, permitting said company to construct and maintain a wharf and to take tolls for the use of same, at rates to be fixed according to law, on all those certain overflowed and submerged lands belonging to the State of California, over which the tide ebbs and flows, bordering on the Straits of Carquinez, a navigable arm of the sea, situate in township number two, in supervisor district number two of the county of Contra Costa, State of California, and more particularly described as contained and within the following boundaries, to wit:

Beginning at a point on the northerly boundary line of right of way of the Northern Railway Company, distant thereon 3059 feet northwesterly from the hinges of the ferry slip at Port Costa, which point is also distant 150 feet westerly from the intersection of the westerly line of McNear's lower warehouse near Port Costa as the same stood in the year 1887, with the said northern line of right of way; running thence westerly along the said northerly line of right of way to its intersection with the shore line of the Straits of Carquinez, and thence westerly following said shore line to a total distance from the point of beginning 1000 feet; thence north 14 degrees 15 minutes west (magnetic) 491 feet, more or less, to the line of four-fathom depth of water; thence north 86 degrees 35 minutes east along the said four-fathom line 1000 feet to station; thence southerly 259 feet to the point of beginning.

And having applied to the Railroad Commission for approval of the renewal of said franchise, and having submitted to the Railroad Commission copies of papers filed with the board of supervisors of Contra Costa County, together with a copy of the order of said board of supervisors, granting a renewal of the franchise, and the Commission being of the opinion that this is not a case in which a public hearing is necessary and that the application should be granted; now, therefore,

*It is hereby ordered*, that the Railroad Commission hereby approves the renewal of the wharf franchise described in the petition herein; provided, that this order will not become effective until California Wharf and Warehouse Company has filed with the Railroad Commission, for approval, a stipulation duly authorized by its board of directors declaring that neither California Wharf and Warehouse Company, its successors nor assigns, will ever claim before the Railroad Commission, or any court or other public body, a value for said wharf franchise in excess of the amount actually paid to the county of Contra Costa, as a consideration for the grant of said franchise, which amount shall be stated in the stipulation, and shall have received from the Railroad Commission a supplemental order declaring that such stipulation has been filed in form satisfactory to the Railroad Commission.

Dated at San Francisco, California, this fifth day of February, 1920.

## DECISION No. 7072.

IN THE MATTER OF THE APPLICATION OF THE MONTARA REALTY DEVELOPMENT COMPANY, A CORPORATION, ORGANIZED AND EXISTING UNDER THE LAWS OF CALIFORNIA, AND ARTHUR WAGNER, FOR ORDER AUTHORIZING SALE OF WATER SYSTEM PLANT OF MONTARA, SAN MATEO COUNTY, CALIFORNIA, BY THE SAID COMPANY TO THE SAID ARTHUR WAGNER.

## Application No. 5124.

IN THE MATTER OF THE APPLICATION OF CALIFORNIA SUBURBAN HOME COMPANY AND ARTHUR WAGNER, FOR ORDER AUTHORIZING SALE OF WATER SYSTEM PLANT IN THE FARALLONE DISTRICT OF MONTARA BY THE SAID COMPANY TO THE SAID ARTHUR WAGNER.

## Application No. 5127.

Decided February 5, 1920.

W. B. Johnson, for Applicants.

W. G. Stewart, for Consumers.

BY THE COMMISSION.

**ORDER.**

Montara Realty Development Company and the California Suburban Home Company, owners of small water systems, used in the business of supplying water for domestic purposes to consumers in certain parts of the town of Montara, San Mateo County, California, said systems and property being more particularly described in the applications herein, having made application to transfer said systems to Arthur Wagner of Montara, and Arthur Wagner having joined in said applications, a public hearing having been held, and it appearing that public convenience and necessity will be served by the granting of said applications;

*It is hereby ordered*, that the above entitled applications be and the same are hereby granted upon the following conditions and not otherwise:

1. The purchase price at which Arthur Wagner of Montara is herein authorized to acquire said properties from the Montara Realty Development Company and the California Suburban Home Company shall not be urged before this Commission or any other public body as a finding of value of said properties for rate fixing or any purpose other than the transfer herein authorized.

2. The authority herein granted to transfer said water systems shall apply only to such transfer as may be made on or before April 30, 1920.

3. A certified statement shall be filed with the Commission by Arthur Wagner not later than ten days subsequent to the date of transfer, indicating that such transfer has taken place and specify the date of transfer.

4. Certified copies of the deeds transferring the property, the sale of which is herein authorized, shall be filed with this Commission by Arthur Wagner within ten days of the date of such transfer.

Dated at San Francisco, California, this fifth day of February, 1920.

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DECISION No. 7074.

CENTERVILLE CHAMBER OF COMMERCE

*vs.*

OAKLAND-NEWARK AUTO STAGE LINE.

Case No. 1343.

IN THE MATTER OF THE APPLICATION OF W. P. BEAUCHAMP FOR  
CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY TO  
TRANSPORT PASSENGERS, BAGGAGE AND EXPRESS BY MEANS  
OF AUTOMOBILE STAGE FROM OAKLAND TO CENTERVILLE, AND  
FROM CENTERVILLE TO HAYWARD AND OAKLAND.

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Application No. 4903.

Decided February 5, 1920.

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*F. T. Hawes*, for Complainant.

*C. W. White*, for Defendant and Applicant.

*H. H. Gogarty*, for United States Railroad Administration; Southern Pacific Railroad.

*S. H. Dunbar*, for Peerless Auto Stage Association, Protestants.

BY THE COMMISSION.

**ORDER.**

Centerville Chamber of Commerce has filed complaint against Oakland-Newark Auto Stage Line, W. P. Beauchamp, proprietor, alleging that the residents of the community at Centerville are discriminated against by Oakland-Newark Auto Stage Line in that such stage line refuses to transport and carry passengers between Centerville and Oakland. An answer was filed by the defendant alleging that no discrimination existed, but that the refusal to transport and carry passengers between Oakland, Centerville and Hayward and Centerville was occasioned by reason of an order of the Railroad Commission prohibiting the establishment of service between Oakland, Hayward and Centerville.

W. P. Beauchamp has petitioned the Railroad Commission for an order declaring that public convenience and necessity require the operation by him of an automobile stage line as a common carrier of passen-

gers, baggage and express between Oakland, and Hayward and Centerville.

A public hearing on the above entitled matters was conducted by Examiner Handford at Centerville on January 28, 1920, at which hearing the two matters were consolidated for the purpose of receiving testimony and decision.

As regards the complaint of the Centerville Chamber of Commerce alleging that W. P. Beauchamp, as proprietor of the Oakland-Newark Auto Stage Line, discriminated against the residents of Centerville by reason of refusing to furnish service to such community—this matter is fully covered by the answer of the defendant in which he alleges that the failure to serve Centerville from Oakland and Hayward is occasioned by the prohibition existing in the order of the Railroad Commission in Decision No. 6091 on Application No. 4212, such application being that of W. P. Beauchamp to operate an automobile stage line as a common carrier of passengers, baggage and express between Oakland and Newark via Hayward, the Mount Eden Road, Alvarado and Centerville. At the hearing on this application the evidence indicated that the business originating at and destined to Centerville to and from Oakland and Hayward, was being satisfactorily cared for by the stages operated by the Peerless Auto Stage Association, and the order in Decision No. 6091 on Application No. 4212 prohibited applicant, Beauchamp, from serving the business community at Centerville by reason of an adequate showing having been made that the business of Centerville was being satisfactorily cared for by the authorized stage line as operated by the members of the Peerless Auto Stage Association. At the present hearing on this matter there was no testimony offered in behalf of complainant and the matter of the complaint will be adjusted by the decision on application of W. P. Beauchamp for certificate of public convenience and necessity to serve, in addition to his present authorized line, the business community at Centerville.

W. P. Beauchamp, testifying in behalf of his application, alleges that the present operation of his line, as heretofore authorized by the Railroad Commission, does not satisfactorily serve the residents of the community at Centerville in that he can only serve such residents as may come to the nearest point on his route between Oakland and Newark, which is at the junction of the Newark road about one-quarter of a mile from the business community at Centerville. He states that he has frequent applications for transportation to and from Centerville, the demand being particularly in evidence in the morning and evening and on Saturdays, Sundays and Mondays. The flow of traffic is principally destined Oakland. Applicant testified as to his intention to place one more schedule in service in addition to the two round trips at present operated.

The residents of Centerville appearing in behalf of applicant testified that the service rendered by the Peerless Auto Stage Association was not satisfactory particularly on Saturdays, Sundays and Mondays, and that the stages frequently passed through Centerville with all seats occupied, resulting in patrons desiring stage transportation to Hayward and Oakland not receiving accommodation. It was stated that people at Centerville have waited from one to three hours for stages without being able to secure seats and that such prospective patrons have in some instances obtained transportation by walking to the Newark road and securing stage of applicant or by taking the trains of the Southern Pacific Company, and in some instances have been obliged to hire automobiles to transport them to Hayward, at which point the electric car line of the San Francisco-Oakland Terminal Railways is available into Oakland, and in some instances have traveled the entire distance into Oakland by the use of automobiles rented in Centerville. Evidence also appears that in some instances overcrowding of stages on the line of the Peerless Auto Stage Association has been permitted and that passengers have been compelled to sit on the doors. It also appears that in some instances parties desiring transportation have been obliged to separate due to the fact that adequate accommodations were not offered and only a portion of the patrons desiring transportation could receive same from Centerville due to a lack of seating accommodation. It also appears from the evidence that in some instances stages en route from San Jose to Oakland and operated by the Peerless Auto Stage Association have eliminated the community at Centerville entirely, evidently due to stages being loaded and detouring from the regular route for such cause. There is uncontroverted testimony in this proceeding that the stages of the Peerless Auto Stage Association have not satisfactorily met the demands for transportation originating with the community at Centerville and that almost daily complaints are in evidence, and particularly so as regards the congested period of travel on Saturdays, Sundays and Mondays.

The granting of this application is opposed by the United States Railroad Administration on behalf of its lessor, the Southern Pacific Railroad, and by the Peerless Auto Stage Association.

Witness for protestant, United States Railroad Administration, testified as to the train service at present available between Oakland and Centerville, such testimony indicating that through trains were operated directly between Oakland and Centerville daily without change, one train between Oakland and Newark and four trains between Oakland and Niles. In the opposite direction four trains are operated directly between Centerville and Oakland; three trains between Niles and Oakland; one train between Newark and Oakland; one train between Centerville and Newark and one train between Centerville and Niles.

the latter making no connection into Oakland. It further appears that extremely light traffic is enjoyed by the rail line between Oakland and Centerville in both directions and that the present train service, which is claimed by the Southern Pacific Railroad to be adequate, is that brought about by reason of a complaint originating with the Centerville Chamber of Commerce.

The Peerless Auto Stage Association presented no evidence in opposition to the granting of this application.

The question of service and rates and a comparison of such elements as proposed by applicant with those as existing on the line of protestant, Southern Pacific Railroad, is necessary to fully develop all conditions surrounding the traffic between Oakland and Centerville and Hayward and Centerville.

The rate proposed by applicant from Oakland to Centerville is 60 cents, the Southern Pacific rate to such point being, according to tariffs filed with the Railroad Commission, 85 cents; the rate proposed by applicant between Hayward and Centerville is 40 cents, which rate is also that of the Southern Pacific Railroad.

The schedule of applicant between Oakland and Centerville will require one hour and twenty minutes. The schedule of the Southern Pacific Railroad between Oakland (First and Broadway) and Centerville outlines service by direct trains without change, requiring from one hour and one minute to one hour and thirty-three minutes.

After careful consideration of all the evidence in this proceeding, we are of the opinion that the service of applicant over the limited portion of route not now existing by reason of the prohibition contained in Decision No. 6091 on Application No. 4212, is desirable for the public desiring stage transportation between Centerville and Oakland and Centerville and Hayward; that the showing contained in the evidence is conclusive that the Peerless Auto Stage Association has not and is not at this time meeting the demands of the public desiring stage transportation between Oakland and Centerville and Centerville and Hayward; that the service of the Southern Pacific Railroad, while comparable as to time between Oakland and Centerville, requires the public to pay a higher rate than that proposed by applicant herein as regards transportation between Oakland and Centerville, and that the public is entitled to service at the lowest possible rate, all other elements entering into the matter of such transportation being comparable. We are of the opinion that the application should be granted.

Complaint having been made by the Centerville Chamber of Commerce against the Oakland-Newark Auto Stage Line, W. P. Beauchamp, proprietor, a public hearing having been held, and the Commission being fully advised and basing its order on the facts as set forth in the foregoing opinion;



*It is hereby ordered*, that this complaint be and the same hereby is dismissed.

The Railroad Commission hereby declares that public convenience and necessity require the operation by W. P. Beauchamp of an automobile stage line as a common carrier of passengers, baggage and express over the public highway between the point known as Centerville Junction (such point being located approximately one-quarter mile west of the Southern Pacific station at Centerville at the junction of the Newark road) and the business center or district of the community of Centerville; provided, however, that the rights and privileges hereby authorized may not be transferred nor assigned unless the written consent of the Railroad Commission to such transfer or assignment has first been secured.

*It is hereby ordered*, that no vehicle may be operated under this certificate unless such vehicle is owned by the applicant herein or is leased by such applicant under a contract or agreement on a basis satisfactory to the Railroad Commission.

Dated at San Francisco, California, this fifth day of February, 1920.

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DECISION No. 7087.

IN THE MATTER OF THE APPLICATION OF LOS ANGELES-SAN PEDRO  
TRANSPORTATION COMPANY, INCORPORATED, FOR ORDER  
AUTHORIZING EXECUTION OF LEASE CONTRACT AND NOTES.

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Application No. 5256.

Decided February 5, 1920.

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C. W. Bryer, for Applicant.

BY THE COMMISSION.

**ORDER.**

Los Angeles-San Pedro Transportation Company, Incorporated, asks authority to enter into a lease contract in the form attached to the petition herein and marked Exhibit "A," providing for the leasing and purchasing of a 6-ton Packard truck for the sum of \$6,220, and to issue notes. Applicant intends to pay \$1,750 of the purchase price in cash and the remainder in fifteen equal monthly payments of \$298 with interest at the rate of 8 per cent per annum. To represent the deferred payments, applicant asks authority to issue fifteen 8 per cent notes, each for \$298, the first of such notes to be payable thirty days from the date of the delivery of the truck and the other notes at thirty-day intervals thereafter. Inasmuch as some of the notes will be outstanding

for more than one year, their issue must be authorized by the Railroad Commission.

It appears to the Railroad Commission that this is not a matter in which a public hearing is necessary and that the property to be procured or paid for through the issue of notes herein authorized is reasonably required, and that the expenditures necessary to acquire said truck are not in whole or in part reasonably chargeable to operating expenses or to income; now, therefore,

*It is hereby ordered*, that Los Angeles-San Pedro Transportation Company, Incorporated, be and it is hereby authorized to enter into a lease contract in substantially the same form as the lease contract attached to the petition herein and marked Exhibit "A" for the purpose of leasing and purchasing a 6-ton Packard truck, and issue fifteen 8 per cent notes, each for the face value of \$298, as provided for in said lease contract to pay in part for said truck, provided:

1. That the authority herein granted will not become effective until applicant has paid the fee prescribed in the Public Utilities Act.

2. That Los Angeles-San Pedro Transportation Company, Incorporated, will keep such record of the issue and sale of the notes herein authorized and of the disposition of the proceeds as will enable it to file on or before the twenty-fifth day of each month a verified report, as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

3. That the authority herein granted will apply only to such notes as may be issued on or before August 30, 1920.

Dated at San Francisco, California, this fifth day of February, 1920.

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DECISION No. 7093.

IN THE MATTER OF THE APPLICATION FOR THE ABANDONMENT BY THE FRESNO TRACTION COMPANY OF ONE OF ITS STREET CAR TRACKS ON FRESNO STREET IN THE CITY OF FRESNO, COUNTY OF FRESNO, STATE OF CALIFORNIA.

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Application No. 5265.

Decided February 5, 1920.

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BY THE COMMISSION.

**ORDER.**

Fresno Traction Company, a corporation, has petitioned the Railroad Commission for an order authorizing the abandonment of a certain street car track in the city of Fresno, county of Fresno, said track being located on the so-called west Fresno line, and being one track of a double track line located on Fresno street and extending from a point at the intersection of Kearny avenue with Fresno street to the end of

47—47416

Fresno street at its intersection with California avenue, as more fully shown on a blue print map filed with the application in this proceeding.

Permission of the board of trustees of the city of Fresno for the abandonment of the track hereinabove outlined has been granted by a resolution of the board of trustees of the city of Fresno passed at a regular meeting on January 19, 1920, as evidenced by a certified copy of said resolution filed with the application in this proceeding.

We are of the opinion that this is a matter in which a public hearing is not necessary and that the application should be granted.

*It is hereby ordered*, that this application be and the same hereby is granted.

Dated at San Francisco, California, this fifth day of February, 1920.

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DECISION No. 7094.

IN THE MATTER OF THE APPLICATION OF THE PICKWICK STAGES,  
NORTHERN DIVISION, A CORPORATION, FOR AN ORDER AUTHORIZING THE ISSUE AND SALE OF STOCK.

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Application No. 5156.

Decided February 5, 1920.

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BY THE COMMISSION.

**FIRST SUPPLEMENTAL ORDER.**

Whereas, the Railroad Commission, by Decision No. 6938, dated December 11, 1919, authorized Pickwick Stages, Northern Division, to issue at par \$20,000 of its common capital stock, subject, among others, to the condition that the proceeds from the sale of \$10,000 of stock be expended only for such purposes as the Railroad Commission may hereafter authorize; and

Whereas, applicant in its first supplemental application filed in the above entitled matter on January 30, 1920, asked permission to use this \$10,000 of stock to acquire additional automobile equipment; \$9,000 in payment of four Pierce Arrow seven-passenger touring cars, and \$1,000 to be applied on the purchase price of a seven-passenger Pierce Arrow Series 3 touring car, all of which are referred to in the petition herein; and it appearing to the Commission that this supplemental petition should be granted; now, therefore,

*It is hereby ordered*, that Pickwick Stages, Northern Division, be and it is hereby granted permission to use \$10,000 of stock, the issue of which was authorized by Decision No. 6938, dated December 11, 1919, to pay for the additional automobile equipment described in the first supplemental petition in this proceeding.

*It is hereby further ordered*, that the order in Decision No. 6938, dated December 11, 1919, shall remain in full force and effect except as modified by this first supplemental order.

Dated at San Francisco, California, this fifth day of February, 1920.

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DECISION No. 7098.

IN THE MATTER OF THE APPLICATION OF THE VACAVILLE WATER AND LIGHT COMPANY, REQUESTING THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA TO FIX A REASONABLE RATE FOR WHICH WATER MAY BE SOLD IN THE TERRITORY EMBRACING THE TOWN OF VACAVILLE AND VICINITY.

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Application No. 3961.

Decided February 5, 1920.

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**WATER RATES—METERED SERVICE.**—It is held to be impossible to equitably distribute the cost of service between consumers receiving service upon a flat rate basis. Recommendation made that applicant gradually meter its entire system, under which method of operation charges can be equally apportioned and a material saving made in operating expenses.

W. Z. McBride, for Applicant.

O. E. Merchant and G. A. Arnold, for board of trustees of Vacaville.

BY THE COMMISSION.

**OPINION ON REHEARING.**

In this matter Vacaville Water and Light Company has filed a petition for rehearing and asks for a modification of this Commission's Decision No. 6288, issued April 25, 1919, in the above entitled matter, which decision established a schedule of metered and flat rates to be charged for water served to consumers in Vacaville and vicinity.

The petition for rehearing alleges in effect that the result of putting into force the schedule of rates as ordered by said Decision No. 6288 would have a tendency to cause all consumers to apply for metered service, which in turn would require the installation of some 293 meters, which the company is financially unable to do at the present time.

A public hearing was held in this matter and W. Z. McBride, in testifying for applicant, stated that he would withdraw the suggested modified schedule of rates as set out in the petition for rehearing, and asks that an adjustment of rates be made by the Commission.

A field investigation of the utility was made by H. A. Noble, and the book accounts were examined. The records, however, were found to be incomplete and inaccurate. It was impossible to tabulate the metered water use for any one year. Due to the fact that meters are not read and the quantity of water recorded, it appears that the greater part of the year the consumers are billed for 800 cubic feet or less at the \$1.50

minimum monthly charge. Thus applicant has no doubt lost revenue which the rates in effect might otherwise yield.

The maintenance and operation expense as set out by this company in its annual reports for 1918 is inaccurate in that certain items properly chargeable to capital account and renewals have been included therein. It was impossible to segregate the labor items so mischarged.

Based on the corrected book accounts and a comparison with the operation of similar utilities, it is estimated that the following is a reasonable allowance to be included in the annual charges of this company for maintenance and operation expense:

Salary of manager.....	\$800 00
Salary of bookkeeper.....	537 00
Labor reading meters, care of pumps and general repair work.....	755 00
Electric power, pumping.....	1,100 00
General office expense, insurance, pump repairs, garage, etc. ....	845 00
Taxes .....	500 00
Office rent .....	90 00
Estimated total for year 1919.....	\$4,727 00

As the Vacaville Water and Light Company operates both an electric and water utility, the salaries received by the manager and bookkeeper are charged half to each service.

Correcting the Commission's previous estimate as to the undepreciated cost of this property, in accordance with the additions installed since its preparation, the Commission's engineer submitted the total of \$36,320 as the undepreciated cost as of August, 1919, and \$524.12 as the 6 per cent sinking fund annuity.

A summary of the annual charges follows:

Return on \$36,320 at 8 per cent.....	\$2,906 00
Depreciation annuity, 6 per cent sinking fund basis.....	524 00
Maintenance and operation expenses.....	4,727 00
Total annual charges.....	\$8,157 00
Revenue received, 1918.....	7,607 00

It is apparent that the rate schedule at present in effect will not produce a sufficient revenue to return the above estimated annual charges. Furthermore, it appears from a study of the metered water use subsequent to the date of Decision No. 6288, that a more equitable distribution of the charges can be effected by adjusting this rate schedule.

However, attention is called to the fact that it is impossible to compute a rate under a flat rate method of delivery by which the charges can be equitably distributed among the various consumers. The benefits obtaining from a metered system are a conservation of the supply, an equitable distribution of the charges and a saving in operation expenses, notably pumping costs. A fully metered system, in

this instance, would contribute to efficiency of operation, and it is recommended that some plan be adopted for the gradual metering of the entire system.

Upon consideration of all the evidence and facts set forth in this opinion, the rates in the original order herein will be modified and revised as set out in the following order:

#### ORDER ON REHEARING.

Vacaville Water and Light Company having made application for a modification of the rates set forth in Decision No. 6288 of this Commission, a public hearing having been held thereon, and the Commission being fully apprised in the premises;

It is hereby found as a fact that a modification of the rates complained of is justified by conditions and that the rates hereinafter established are just and reasonable rates to be charged by Vacaville Water and Light Company for service to its consumers.

And basing its order upon the foregoing finding of fact and upon the further statements of fact contained in the opinion which precedes this order;

*It is hereby ordered*, that Vacaville Water and Light Company be and it is hereby authorized to file with the Railroad Commission within twenty days from the date of this order, and thereafter charge, the following rates for water served to the inhabitants of Vacaville and vicinity:

#### RATE SCHEDULE.

<i>Flat Rates.</i>	<i>Per month</i>
1. Residence, 5 rooms or less, including toilet and bath.....	\$1 00
2. Residence, over 5 rooms, including toilet and bath.....	1 50
3. For each additional private toilet or bath.....	25
4. Irrigation of lawns, shrubbery, trees, gardens, etc., payable every month in the year, per square yard.....	0 00½
5. Laundries, creameries and bottling works.....	\$2 to 5 00
6. Barber shops, for single chair.....	1 25
For each additional chair.....	25
7. For one public bathtub in hotels, lodging houses, barber shops or bathing establishments.....	1 25
For each additional bathtub.....	35
8. Stores and shops not otherwise specified, according to use of water.....	\$1 to 3 00
9. Restaurants and public dining rooms.....	\$2 to 4 00
10. Public garages—6 or less.....	2 50
For each additional machine.....	50
11. Livery stables and feed yards, per average number of stock fed, each.....	25
Minimum payment.....	2 00
12. Additional for private barns in connection with residences, stores or shops, not more than 2 horses or cows.....	50
For each additional horse or cow.....	20
13. City of Vacaville, for 33 fire hydrants already installed.....	75 00
For each additional hydrant installed.....	2 00
14. Building work:	
For mortar to dampen brick, per 1000 brick.....	35
For cement work, each barrel.....	15
15. Meters may be installed at the request of any consumer or at the option of the utility.	
16. Water for all purposes not herein specified to be charged at the metered rate.	

*Metered use.*

1. Monthly minimum payments for metered service:
 

For $\frac{3}{4}$ -inch or $\frac{5}{8}$ -inch meters-----	\$1 35
For 1-inch meter-----	1 75
For 1½-inch meter-----	2 25
For 2-inch meter-----	2 50
2. Monthly quantity rates:
 

600 cubic feet or less-----	\$1 35
Between 600 and 3000 cubic feet, per 100 cubic feet-----	20
Between 3000 and 5000 cubic feet, per 100 cubic feet-----	16
Over 5000 cubic feet, per 100 cubic feet-----	12
City of Vacaville, street sprinkling, per 100 cubic feet-----	10

Dated at San Francisco, California, this fifth day of February, 1920.

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DECISION No. 7099.

REEDLEY TELEPHONE COMPANY

vs.

SANGER TELEPHONE COMPANY AND SETCHEL FRUIT COMPANY

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Case No. 1373.

Decided February 5, 1920.

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A. Terkel, for Complainant.  
 H. F. Knapp, for Defendants.  
 H. A. Wishard, for Defendants.  
 W. Flanders Setchel, for Defendants.

BRUNDIGE, Commissioner.

**OPINION.**

In this case the Reedley Telephone Company requests the Railroad Commission to require the Sanger Telephone Company and the Setchel Fruit Company to remove certain telephone lines owned by the latter telephone company, which the complainant alleges were built into territory claimed by the Reedley Telephone Company. The location of the lines of both companies in the disputed territory is shown in complainant's Exhibit No. 1, on file with the Railroad Commission, and is described in the complaint as a line between the Carelita Vineyard and the Setchel Fruit Company's packing house at Wahtoke, also the lines and poles east of Townsend's Ranch, together with such branch lines as may be connected with this latter line.

Complainant further requests that the Railroad Commission declare the territory in dispute to be within the Reedley exchange area.

Public hearing was held at Sanger on October 16, 1919, and testimony of all parties interested was heard.

I am of the opinion that it is to the best interest of all concerned that the telephone service now existing in this territory be not disturbed. I also am of the opinion that neither the Reedley Telephone Company nor the Sanger Telephone Company should be permitted to further extend their pole lines and telephone leads into this disputed territory without the express authorization of this Commission.

I recommend the following form of order:

**ORDER.**

The Reedley Telephone Company having filed a formal complaint with the Railroad Commission against the Sanger Telephone Company and Setchel Fruit Company for building a telephone line into territory which the former claimed as a part of the Reedley Exchange territory, a public hearing having been held, and the Commission being fully apprised in the premises, finds as a fact that public convenience and necessity are best served by the lines as they exist at present.

*It is hereby ordered*, that both companies be required to allow the telephone lines to remain as at present, and that no further extensions of service be made by either company without the express authorization of the Railroad Commission.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this fifth day of February, 1920.



## DECISION No. 7100.

IN THE MATTER OF THE APPLICATION OF G. F. GREEN FOR ORDER  
AUTHORIZING A RATE INCREASE AT THE TOWN AND VICINITY  
OF RIPON, CALIFORNIA.

Application No. 4839.

Decided February 5, 1920.

**TELEPHONE SERVICE—PRIVATE OWNERSHIP OF INSTRUMENTS—RATES.**—It is held that a telephone company should supply all necessary equipment in connection with its business, and the practice of allowing subscribers owning their own telephone instruments a lower rate is discontinued and applicant directed to purchase, at a reasonable price, all such instruments now owned by subscribers. Order made permitting applicant to discontinue service to any patron refusing to sell his telephone instrument or to pay the regular rate for the particular class of service which he receives.

**EXCHANGE AREAS—TELEPHONE RATES.**—A one-half mile exchange area is considered too small for a telephone utility serving an unincorporated community and a one-mile exchange area is established with mileage rates for subscribers receiving service outside of such district.

**NONSUBSCRIBERS—CHARGE FOR USING PRIVATE PHONES.**—A telephone utility is not permitted to establish a charge of ten cents per call for the purpose of eliminating annoyance due to use of private phones by nonsubscribers. It is suggested that if such practice is not desired by subscribers, as claimed, they deny the use of their phones to outsiders.

*G. F. Green in propria persona.*

BRUNDIGE, *Commissioner.*

**OPINION.**

G. F. Green, petitioner in this proceeding, is the owner of a telephone exchange, known as the Ripon Telephone Exchange, located in the unincorporated town of Ripon in San Joaquin County. In Application No. 4839 he asks the Commission to authorize an increase in rates for telephone service and to fix the limits of the area in which the proposed rates are to apply.

A comparison of the petitioner's present rates and those proposed in his application is shown as follows:

	Present monthly rates	Proposed monthly rates
Private business line.....	\$2 50	\$3 00
Two-party business line.....	1 25	2 50
Four-party business line.....	1 25	2 00
Residence, private line.....	2 50	2 50
Two-party harmonic selective.....	1 25	2 00
Four-party harmonic selective.....	1 25	1 50
Rural line switching charge.....	50	50
Extension sets.....	50	1 00
Desk sets—extra.....	---	25
Extension bells—extra.....	---	25

A public hearing in this matter was held at Ripon on October 23, 1919. No one appeared to oppose the application.

In his application and at the hearing, the petitioner stated that the exchange was purchased for the sum of \$3,000, and submitted a state-

ment in which he claimed that the present value of the property as of August 8, 1919, was \$14,096. The inventory and valuation submitted by the petitioner in his application not being in sufficient detail, an inventory was made in the field by one of the Commission's assistant engineers and an appraisal of the value of the property was made by the Commission's engineering department and presented in evidence in the hearing. This valuation, brought up to October 1, 1919, shows a reproduction cost of \$12,763 computed upon an historical basis, and a reproduction cost, less depreciation, of \$10,413.

In his inventory the petitioner included the value of three lots and a residence in which a portion of one room is used for exchange purposes. This property has been excluded by the Commission's engineers, and accounts in large part for the differences in the total figures reached in the two valuations. An allowance of \$10 a month as rent for the space occupied by the exchange has been found as reasonable. This has been included as a proper charge against operating expenses and has been given proper consideration in fixing the rates hereinafter stated.

A careful check and analysis has been made of the receipts and operating expenses of the petitioner. Based upon the volume of business existing in August, September, and October, 1919, and computed upon rates then existing, the gross revenues from all sources (including exchange and toll revenues) would amount to \$3,227.90 per year. This figure does not take into consideration future increases in revenue due to the growth of the community and extension of service. A reasonable allowance for operating expenses, including depreciation, insurance, and taxes, and making no provision for increased expenses due to increased business, has been found to be \$3,935.40, leaving a deficit of \$707.50.

It is clear that the petitioner is entitled to an increase in rates. I recommend that the Commission order petitioner to offer the following classes of service and authorize the following rates, which I believe afford a better arranged schedule as a whole:

Business :	Wall	Desk
Main line -----	\$2 75	\$3 00
Two-party line -----	2 25	2 50
Four-party line -----	2 00	2 25
Extensions -----	1 00	1 00
Suburban -----	2 25	2 50
Farmers' lines -----	45	45
Residence :		
Main line -----	\$2 25	\$2 50
Two-party line -----	2 00	2 25
Four-party line -----	1 75	2 00
Extensions -----	1 00	1 00
Suburban -----	2 00	2 25
Farmers' lines -----	30	30
Extension bells—extra -----	25	25

This schedule, it is estimated, will produce approximately \$4,140 per annum, which, plus toll commissions of \$659.90, will produce a total operating revenue of \$4,799.90. Deducting operating expenses of \$3,935.40, as estimated above, will produce a net income of \$864.50, or a net return of 6.77 per cent on the undepreciated value of the property. These figures do not take into account the normal increase in the volume of business, which, in a growing community, such as Ripon, may naturally be expected. If we assume that during the year 1920 there will be an increase of 10 per cent in exchange revenue, with little or no increase in operating expense—an assumption that seems to be quite reasonable—then it is probable that the rates proposed by the Commission will yield the petitioner approximately 10 per cent on the undepreciated value of the property.

There are a few subscribers at present receiving exchange service who own the telephone instrument and, in consideration of this ownership, pay a lower rate, viz, seventy-five cents per month, than others receiving the same class of service but who do not own the instrument. Petitioner desires to remove this inequality by purchasing the subscribers' equities in these cases. The Commission is in accord with this proposal. In such instances the company should be required to make tender of the reasonable amount which will compensate the subscribers for their respective interests and, in the event the said subscribers refuse to sell and pay the regular rate for like class of service, the company be empowered to refuse to give further service.

Applicant proposes to establish an exchange radius, or what is also termed a primary rate area, of one-half mile from the central office of the telephone company at Ripon. For exchange service beyond the one-half mile limit, petitioner desires the following mileage rate to apply in addition to the base rates:

Private lines: \$1 per month per each one-half mile or fraction.

Four-party lines: 50 cents per month per each one-half mile or fraction.

I am of the opinion that a one mile exchange area is proper for this exchange, taking into consideration the present extent of the community served and the fact that the town is in unincorporated territory. For service outside the above area, the following mileage rates, in addition to the exchange rates, should apply, based upon air line mileage from the limits of the exchange area:

Individual line, per station: each quarter mile or fraction thereof.....	50 cents
Two-party line, per station: each quarter mile or fraction thereof.....	35 cents
Four-party line, per station: each quarter mile or fraction thereof.....	25 cents

Petitioner also desires that the Commission authorize a charge of ten cents to apply as a line charge for switching nonphone holders on each call made. Petitioner testified that the reason for this pro-

posed ten cent charge is to obviate the complaints made by subscribers on the farmer lines connecting with his exchange that nonsubscribers annoy them by using their telephones. The Commission recognizes the annoyance which might occur in such instances, but is of the opinion that the proper method would be for the particular subscribers to refuse the use of their telephones. The practice of making such charges is not, to the Commission's knowledge, generally followed elsewhere in the state, and is not in accord with proper telephone principles.

In connection with what petitioner terms "rural rates," otherwise known as suburban rates or service, it is desired that the extensions for each subscriber for that class of service to be provided at the company's sole expense be limited to one-half mile. The Commission's former Decision No. 2879 in Case No. 683 (Vol. 8, page 372, Opinions and Orders of the Railroad Commission of California) affords sufficient protection in the matter of extensions, to both the public utility and prospective subscriber, as herein quoted:

**RULE 16.**

A water, gas, electric or telephone utility shall make such reasonable extensions in unincorporated territory at its own expense, as it can agree upon with the applicant for service; provided, that in any case in which the construction of an extension at the utility's sole expense will in its opinion work an undue hardship upon the utility or its existing consumers, the matter may be submitted to the Commission as provided by section 36 of the Public Utilities Act, unless satisfactorily adjusted by an informal application to the Commission.

**RULE 17.**

In cases in which applicants make payments to secure the construction of extensions by water, gas, electric or telephone utilities, such payments shall generally be considered as loans to the utilities, to be repaid, as soon as conditions warrant, under reasonable, nondiscriminatory rules and regulations.

It is desired in the proposed schedule of the company that no farmer lines be accepted for switching unless there is a minimum of eight subscribers to the line. It is a common practice among telephone companies to provide connection with the exchange for lines having a minimum of five subscribers, or for a lesser number than five upon the payment by the subscribers of a sum equivalent to not less than the established rate for five stations, this equivalent to be equally divided between the subscribers desiring the connection. To increase this minimum to eight stations would in some cases result in hardship.

I recommend the following order:

**ORDER.**

G. F. Green having applied to the Railroad Commission for an order authorizing a rate increase at the town and vicinity of Ripon, and a public hearing having been held;

It is hereby found that the rates heretofore charged for telephone service by said petitioner are unjust and unreasonable, and that the

rates hereinafter provided are just and reasonable, and basing its conclusions thereon;

*It is hereby ordered*, by the Railroad Commission, that said applicant be and he is hereby authorized to file a schedule of rates and rules with the Railroad Commission within thirty days from the date of this order, and immediately thereafter to collect and receive the following rates:

Business:	Wall	Desk
Main line -----	\$2 75	\$3 00
Two-party line -----	2 25	2 50
Four-party line -----	2 00	2 25
Extensions -----	1 00	1 00
Suburban -----	2 25	2 50
Farmers' lines -----	45	45
Residence:		
Main line -----	\$2 25	\$2 50
Two-party line -----	2 00	2 25
Four-party line -----	1 75	2 00
Extensions -----	1 00	1 00
Suburban -----	2 00	2 25
Farmers' lines -----	30	30
Extension bells—extra -----	25	25

For service outside the one-mile exchange area, the following mileage rates, in addition to the exchange rates, are to apply, based upon air line mileage from the limits of the exchange area:

Individual line, per station: each quarter mile or fraction thereof-----	50 cents
Two-party line, per station: each quarter mile or fraction thereof-----	35 cents
Four-party line, per station: each quarter mile or fraction thereof-----	25 cents

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this fifth day of February, 1920.

#### DECISION No. 7101.

IN THE MATTER OF THE PETITION OF THE CITY OF PALO ALTO TO ASCERTAIN THE VALUE AND FIX AND DETERMINE JUST COMPENSATION TO BE PAID TO ALFRED SEALE AND MABEL S. LAUMEISTER FOR THE ACQUISITION BY THE CITY OF PALO ALTO OF THEIR PROPERTY KNOWN AS THE SOUTH PALO ALTO WATER WORKS.

Application No. 4645.

Decided February 5, 1920.

*Norman E. Malcolm*, for city of Palo Alto.

*Alfred Seale*, in propria persona.

BRUNDIGE, *Commissioner*.

#### OPINION.

The above entitled matter is a proceeding brought by the city of Palo Alto under the provisions of section 47 of the Public Utilities Act,

requesting that the Railroad Commission fix and determine the just compensation to be paid by the said city of Palo Alto to Alfred Seale and Mabel S. Laumeister for a public utility water system owned by them and known as the South Palo Alto Water Works, which system delivers water for domestic purposes to consumers in South Palo Alto.

Hearings were held in this proceeding in Palo Alto and in San Francisco, at which hearings all interested parties were given an opportunity to appear and be heard.

From the evidence it appears that South Palo Alto is a subdivision of the city of Palo Alto, having been subdivided in 1904. At that time the local water company serving the city of Palo Alto, which has since been acquired by the city, would not extend its mains and distribution system to serve this new district, on the grounds that it was outside the city limits. By reason of this fact, Alfred Seale and Mabel S. Laumeister, being the owners of the subdivision, installed a water system to furnish water to the residents of the district. Later the district of South Palo Alto was annexed to the city of Palo Alto, which thereby assumed the obligation of furnishing water and other public utility service to the inhabitants of the newly admitted area. To furnish this service, the city desires to acquire the privately owned water system heretofore furnishing service in this territory, and has accordingly made application that this Commission determine the just compensation to be paid for same.

The engineering department of the Railroad Commission made extensive field investigation of the water system in question, and based its appraisals on the data thus secured and from an inspection of the records of the company. The Commission's engineers adhered to the principle heretofore established, that the date of valuation shall be as of the date of the filing of the application, and that the prices of labor and material prevailing over a reasonable construction period prior to the date of the appraisal should be used in estimating unit costs.

The estimated reproduction cost new, as submitted by the Commission's engineers, was made on the basis of a four months construction period ending June 4, 1919, the date of the filing of the application herein, and reflected the prices of labor and material during that period. The reproduction cost less depreciation was arrived at by taking into account all factors bearing on the condition of the property. It was also possible to obtain from the company's records the original cost of the property, which approximately equals the investment.

The appraisal submitted by the city engineer of Palo Alto was based upon the original cost of the property and depreciated on the basis of the city's experience in operating its own plant.

The owners of the property did not prepare an appraisal, but submitted the book cost of the property.

The population of the South Palo Alto subdivision has increased rapidly within a short period of time, and it appears that the present pipe system will probably be replaced with larger mains before they have fully depreciated. I am therefore of the opinion that an additional allowance for obsolescence should be made and will give this condition consideration in the finding herein.

The evidence shows that all of the property sought to be acquired by the city of Palo Alto will be used and useful to the city as an auxiliary for the city water supply, and that the water to be obtained from the new well is of a better quality than that produced by the present city wells.

It was testified at the hearing that there had been no expenditure for franchise and that the water system has been operated at a profit from its inception.

After a careful consideration of all of the elements of value going to make up the property sought to be acquired by the city of Palo Alto in this proceeding, as outlined above, it appears that the just compensation to be paid for same is \$21,000, and I accordingly submit the following findings:

#### FINDINGS.

City of Palo Alto, a municipal corporation, having filed with the Railroad Commission a petition as entitled above, and the Railroad Commission having proceeded to fix and determine the just compensation to be paid by said city of Palo Alto to Alfred Seale and Mabel S. Laumeister for a public utility water system owned by them and known as South Palo Alto Water Works, under the provisions of section 47 of the Public Utilities Act, and the Commission being fully apprised in the premises;

It is hereby found as a fact that the just compensation to be paid by the city of Palo Alto to Alfred Seale and Mabel S. Laumeister for their property known as South Palo Alto Water Works, and more particularly described in "Appendix A" attached hereto and made a part of the findings herein, is the sum of \$21,000.

The foregoing opinion and findings are hereby approved and ordered filed as the opinion and findings of the Railroad Commission of the State of California.

Dated at San Francisco, California, this fifth day of February, 1920.

#### APPENDIX "A."

That certain piece, parcel or tract of land lying and being in the city of Palo Alto, county of Santa Clara, State of California, and described as follows:

Commencing on the northeast line of Bryant street one hundred and forty (140) feet southeast of Coleridge avenue; thence southeast one hundred and ten (110) feet,

northeast two hundred (200) feet; northwest one hundred (100) feet; southwest one hundred and thirty-five (135) feet; northwest ten (10) feet; southwest sixty-five (65) feet to point of beginning; being lots nineteen (19) and twenty (20) and a portion of lots seventeen (17) and eighteen (18); block nineteen (19) subdivision No. two (2), Seale Addition to the town of Palo Alto.

Also, all wells, pumps, tanks, cisterns, buildings, water mains and services, meters, service equipment and stock on hand, the same being all the property of that certain public utility known as the South Palo Alto Water Works, owned by Alfred Seale and Mabel S. Laumeister.

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DECISION No. 7102.

IN THE MATTER OF THE APPLICATION OF FAIRFIELD WATER WORKS, BY HENRY GOOSEN, FOR ORDER AUTHORIZING INCREASE OF WATER RATES.

Application No. 4421.

TOWN OF FAIRFIELD, A MUNICIPAL CORPORATION.

*vs.*

HENRY GOOSEN, OWNER, DOING BUSINESS UNDER THE NAME AND STYLE OF FAIRFIELD WATER WORKS.

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Case No. 1358.

Decided February 5, 1920.

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W. U. Goodman, for Complainant.

Henry Goosen, *in propria persona*.

BY THE COMMISSION.

**OPINION.**

Applicant in the above entitled proceeding asks for permission to increase rates, and the complaint of the town of Fairfield alleges that defendant does not furnish an adequate supply of water for fire protection, sewer flushing and household use and that water that is required to supply consumers in the town is delivered to districts outside thereof.

A public hearing was held in Fairfield, at which the above entitled proceedings were consolidated for hearing and decision.

Applicant presented an appraisal of the property, based upon present prices of labor and material, less ten per cent accrued depreciation, purporting to show that the value for rate fixing purposes was \$38,110. The Commission's engineer testified that his estimate of original cost of the system was \$30,913, reasonable maintenance and operating expense \$3,189 per year, depreciation annuity \$507, and total annual charges \$6,169.

Revenues for the past three years have averaged \$3,843 per year, including \$189 of uncollected bills, and it is apparent that applicant is entitled to an increase in rates.



Pressure tests made at various parts of the town by the Commission's engineer indicated a few points of low pressure. Our engineer recommended that some of the mains be replaced with pipes of larger size.

The testimony shows that within four to six weeks prior to the hearing the installation of 18 additional meters had so conserved water that complaints of poor service were practically eliminated. The installation of additional meters and the replacement of small mains with large pipes will result in greatly improved service.

### ORDER.

Henry Goosen, doing business under the name and style of Fairfield Water Works, having made application for permission to increase rates, and the town of Fairfield having made complaint against the service rendered by said Henry Goosen, a public hearing having been held, and the Commission being fully advised in the premises:

It is hereby found as a fact that the rates now charged by said Henry Goosen are unjust and unreasonable, in so far as they differ from the rates herein established, and that the rates herein established are just and reasonable rates to be charged for water supplied to consumers in Fairfield and vicinity.

And basing its order upon the foregoing finding of fact and upon the statements of fact contained in the opinion preceding this order:

*It is hereby ordered*, that Henry Goosen be, and he is hereby, authorized and directed to file with the Railroad Commission within twenty (20) days from the date of this order, and thereafter charge the following rates for water served to consumers in Fairfield and vicinity:

#### Monthly Flat Rates.

1. Residences, boarding houses, apartments, lodging houses, tenements or flats of five rooms or less.....	\$1 50
For each additional room.....	25
Additional for each bathtub.....	30
Additional for each toilet.....	25
Private garage and one automobile.....	25
For each additional automobile.....	25
For private barn, not more than one horse or cow.....	50
For each additional horse or cow.....	25
2. Sprinkling or irrigation of lawns, shrubbery, trees, gardens, etc., per square yard.....	02
3. Blacksmith shops, machine shops, lumber yards, printing offices, bakeries, undertaking parlors, grocery stores, dental offices, theatres, warehouses and butcher shops.....	3 00
4. Drug stores and photograph galleries.....	3 50
5. Bottling works, creameries, slaughter-houses and laundries.....	5 00
6. Banks, professional offices, billiard parlors, fraternal halls, club rooms, churches, shoe stores, plumbing shops, and all stores not otherwise listed.....	1 50
7. Office buildings, for each room.....	50
8. Restaurants, chop-houses and cafes, per unit of seating capacity.....	15

9. Livery stables and feed yards, per average number of stock fed, each	25
10. Barns in connection with stores, sheeps, etc., not more than two horses	50
For each additional horse	25
11. Public garages, 6 autos or less	3 00
For each additional auto	25
12. Soda fountains or ice cream parlors, either alone or in connection with other business	2 00
13. Additional for each bathtub, toilet or urinal in 3 to 12, inclusive	30
14. Barber shops, per chair	1 00
Additional for each bathtub	1 00
Additional for each toilet	50
Additional for each urinal	30
15. Saloons or soft drink establishments	3 00
Additional for each toilet	50
Additional for each urinal	30
16. Hotels:	
Dining rooms, including kitchen	2 00
Bedrooms with running water	25
Each bathtub	50
Each toilet	50
Each lavatory	50
17. Steam engines, per horsepower	10
18. Public drinking fountain	1 50
19. Public watering trough	2 50
20. Building work:	
For mortar and to dampen 1000 bricks	35
For each barrel of cement	15

**Metered Rates.****Monthly minimum charges:**

5-inch meters	\$1 50
7-inch meters	1 75
1-inch meters	2 00
1½-inch meters	2 50
2-inch meters	3 00
3-inch meters and larger	4 00

**Monthly metered rates:**

From 0 to 10,000 gallons, per 1000 gallons	50
From 10,000 to 50,000 gallons, per 1000 gallons	45
From 50,000 to 100,000 gallons, per 1000 gallons	40
Over 100,000 gallons, per 1000 gallons	35

**Public use:**

Sewer flushing, per tank per month	1 50
Street sprinkling, per 1000 gallons	40
Fire hydrants, per month each	1 50
Other public use at metered rates.	

Either the utility or the consumer may require the installation of a meter upon any service at the expense of the utility and the above metered rates shall thereafter apply to such service.

*It is hereby further ordered,* that within six months from date hereof applicant shall replace all mains of 1 inch or less in diameter serving more than one consumer, with mains not less than 2 inches in diameter, and do all other things necessary to furnish an adequate supply to all consumers.

Dated at San Francisco, California, this fifth day of February, 1920.

## DECISION No. 7103.

IN THE MATTER OF THE APPLICATION OF MAGGIE L. NOFZIGER TO  
INCREASE WATER RATES IN COACHELLA, COUNTY OF RIVER-  
SIDE, CALIFORNIA.

Application No. 4872.

Decided February 5, 1920.

*D. I. Nofziger*, for Applicant.

*Chas. B. Jones*, for Protestants.

BY THE COMMISSION.

## OPINION.

Maggie L. Nofziger, applicant herein, is engaged in the business of selling water for domestic purposes in the town of Coachella, Riverside County, California, and asks for authority to increase rates. Applicant alleges that the present rates will not produce sufficient revenue for operating expenses, depreciation, and interest on the investment, and asks that a reasonable rate be established.

The rate schedule now in effect is as follows:

Minimum per month, residences.....	\$1 50
Minimum per month, business property.....	2 00
For 800 cubic feet or less.....	1 25
For use over 800 cubic feet, 12 cents per 100 cubic feet.	

The Commission's engineers submitted an appraisal of this system which shows an estimated cost new of \$8,692 and a replacement fund, computed by the sinking fund method, of \$133. This appraisal was the only one submitted at the hearing. Applicant acquired the system from Holliday and Hook for \$5,000 and asks a return on this amount.

Records of the company were examined by the Commission's engineers, who report that these records show an operating expense during 1918 of \$1,632.15, and a gross operating revenue of \$1,277.75. Applicant acquired the system in June, 1919, and reports operating expense for July and August of \$312 and a gross revenue of \$244. These charges for maintenance and operation expense include the expense of applicant, who resides in Glendale, of traveling to and from Coachella, where she spends three or four days each month making collections and supervising repairs. For this service a charge for salary of \$75 per month is made. The evidence shows that collections could be made by the local representative on a 10 per cent basis, and that the charge for superintendence of this character is excessive.

After carefully considering the evidence regarding these operating expenses and other elements of sum to be annually produced by rates, it appears that the following are reasonable:

Operating expense -----	\$1,393 00
Replacement fund -----	133 00
Return on \$5,000 at 8 per cent -----	400 00
Total -----	<u>\$1,926 00</u>

The rates which are established in the order following are designed to produce the above amount.

It appears from the evidence that a material quantity of water is wasted by consumers. This is undoubtedly due to the fact that water is delivered without measurement. This Commission has stated many times that in its opinion the fairest method of delivering water is upon a measured basis. This works for the conservation of the supply and a proper distribution of the cost of service among the consumers. We recommend that applicant institute a program of meter installation.

#### ORDER.

Maggie L. Nofziger having applied to this Commission for authority to increase the rates charged by her for water in the town of Coachella, Riverside County, California, a public hearing having been held, and the Commission being fully apprised in the premises;

It is hereby found as a fact, that the rates now being charged for water by Maggie L. Nofziger in Coachella, in so far as they differ from the rates herein established, are unjust and unreasonable, and that the rates herein established are just and reasonable rates to be charged by her for water.

And basing its order upon the foregoing finding of fact and upon the further statements of fact contained in the opinion preceding this order;

*It is hereby ordered*, that Maggie L. Nofziger be, and she is hereby, authorized to file with this Commission within twenty (20) days of the date of this order, and thereafter charge, the following rates:

	Per month
Tenement buildings, lodging houses or residences, 5 rooms or less, one toilet, one bath and water for irrigating not to exceed 3000 square feet of lawn and garden.....	\$1 75
Each additional room.....	10
Each additional toilet, bath or urinal.....	25
Horses or cows, one.....	25
Each additional horse or cow.....	15
Automobile, each.....	25
Small stores and shops.....	2 00
Hotels, base rate.....	2 00
For each room having running water or bath.....	25
For all other rooms.....	10
Hotels with dining room in connection, an additional charge of.....	3 00
Restaurants and eating houses.....	3 00
Business blocks, not exceeding 5 offices.....	2 00
Each additional office.....	10
Stores, warehouses, confectionery shops, halls, billiard parlors, etc.....	2 00
Drug stores and bakeries.....	2 00
Barber shops, one chair only.....	2 00
Each additional chair.....	25
Photograph galleries.....	2 00
Laundries.....	4 00
Lumber yards and Standard Oil Company.....	2 50
Public garage.....	4 00
Public water troughs, each.....	2 00
Steam boilers or gas engines, each, per horsepower.....	10
Soda fountains, in addition to base rates for stores, each.....	1 00
Water for irrigation of lots, per 100 square feet of area.....	01
Corrals and stock yards, each.....	1 75

**Meter rates:**

Minimum monthly charge, \$1 for 500 cubic feet or less,  
Over 500 cubic feet, 12 cents per 100 cubic feet.

Dated at San Francisco, California, this fifth day of February, 1920.

DECISION No. 7104.

IN THE MATTER OF THE APPLICATION OF CALIFORNIA SOUTHERN  
RAILROAD COMPANY TO ISSUE SECURITIES AND CONSTRUCT  
GRADE CROSSINGS.

Application No. 5117.

Decided February 5, 1920.

**BOND ISSUES—CONSTRUCTION COST—RAILROAD EXTENSIONS.**—A railroad utility which applies for permission to issue securities for the construction of an extension is required to file, from time to time, detailed statements showing actual expenditures made, after the filing of which it will be determined whether or not 20 per cent of such sum is a reasonable amount to be paid the construction company for its service in connection with such work.

*Ward Chapman*, for Applicant.

*BRUNDIGE*, Commissioner.

**OPINION.**

California Southern Railroad Company asks permission to extend its main line of railway from Blythe southwesterly, a distance of about

7.1 miles; construct four highway crossings at grade; issue not less than \$35,000 of its first mortgage 6 per cent bonds, not exceeding \$100,000 of its second mortgage 6 per cent bonds, and such an amount of common stock as the Railroad Commission may deem proper.

Applicant now operates a line of railway extending from Rice, a station on the Santa Fe, on the Parker cut-off in Riverside County, to Blythe, a distance of 42.41 miles. This line has been operated for a little more than three years. The proposed extension will bring the terminus of applicant's railway well towards the center of the Palo Verde Valley and should result in a very material increase in revenue.

Applicant reports \$162,500 of stock, \$213,000 of its first mortgage bonds, and \$262,000 of its second mortgage bonds outstanding.

In "Exhibit B," attached to the petition, applicant reports that The Atchison, Topeka and Santa Fe Railway Company has agreed to loan Blythe Construction Company, for the purpose of enabling it to acquire rails, fastenings, etc., necessary to build the extension, not exceeding \$35,000, such loan to be evidenced by a 6 per cent note payable on or before January 1, 1922. The testimony shows that the Santa Fe demands that all first mortgage bonds of the California Southern Railroad Company which the Commission may authorize to be issued in this proceeding be deposited as security for the payment of the note; and, further, that the payment of the note be guaranteed by California Southern Railroad Company and by J. M. Neeland. A. E. Warmington, secretary of California Southern Railroad Company, testified that the only way it was possible to finance the purchase of the rails and ties necessary to build the extension was through the issue of evidences of indebtedness of Blythe Construction Company, and having such evidences of indebtedness bear the indorsement of the railroad company and that of J. M. Neeland.

The record shows that all rights of way have been secured by Blythe Construction Company. Attached to the petition and marked "Exhibit A" is a copy of the proposed contract under the terms of which Blythe Construction Company agrees to build the extension. The contract, among other things, provides that—

The construction price which the railroad company agrees to pay to the construction company shall be a sum equal to the fair and reasonable value of the entire system, and depot buildings so constructed when completed, including the fair market value of the real properties acquired, comprising the terminal grounds, rights of way, station sites and sidings, culverts, bridges and all other structures incident to said railroad, based upon the cost of duplication thereof, plus 20 per cent, as additional compensation to the construction company for its services under this contract.

At the hearing, counsel for applicant explained that it was not the intention of the construction company to make any profit either on materials or labor, and that the line as completed would be turned

over to the railroad company at cost to the construction company, plus a reasonable value for the rights of way and 20 per cent allowed for the services of the construction company under the contract.

In the petition the cost of the line is estimated at \$140,000, while G. W. Rice, engineer in charge of the construction work, estimated the cost at the hearing at \$171,000. Applicant does not ask permission to issue stock and bonds against these estimates, but against actual expenditures. It intends to file with the Commission from time to time statements showing the amount of money actually expended in the construction of this extension, and at the time such statements are filed ask the Commission for supplementary orders in this proceeding, authorizing the disposition of stocks and bonds. The construction expenditures should be recorded in accordance with classification of accounts of the Interstate Commerce Commission and adopted by this Commission.

Under the contract, the railroad company reserves the right to pay the whole or any part of the construction price, either in cash or in its 6 per cent second mortgage bonds, or in shares of stock at 80. It occurs to me that this reservation, for practical purposes, is meaningless, for the reason that both the railroad company and the construction company are controlled by the same people. In fact, it appears in the record that it is the intention to appropriate the surplus earnings of the railroad to pay for the building of the extension. In other words, if those in control of the construction company conclude that it is to their advantage to accept payment in cash, they also being in control of the railroad company, can quite readily cause the railroad company to take the necessary action providing for the payment of the building of the line in cash, rather than in bonds and stock. There is, of course, no objection to the investment of the surplus earnings of the railroad in this extension, but whether payment is made in cash or stock and bonds, the cost of the extension should be reported to the Commission.

The construction contract also provides that if a dispute arises as to the valuation of any part of the structure, or as to the contract price, or if the contract price ascertained or agreed upon is not approved by the Railroad Commission, then such contract price shall be fixed by the appraisement made by the Railroad Commission or approved by the Railroad Commission, or else by a disinterested appraiser or appraisers to be designated or appointed by or through, or with the consent of the Railroad Commission.

The order herein will provide that no stock or second mortgage bonds shall be disposed of by applicant in any manner whatsoever, until statements showing in detail the actual construction expenditures

have been filed with, and approved by the Commission. The Commission can not, until it is furnished with the actual expenditures, and advised of the nature of the construction, determine whether 20 per cent is a reasonable profit to be paid the construction company for its services.

At the hearing this application was amended so as to include the construction of four highway crossings at grade. Consideration has been given to this matter, and I believe that under the circumstances, this portion of the application should be granted, subject to the conditions mentioned in the order.

I herewith submit the following form of order:

#### ORDER.

California Southern Railroad Company, having applied to the Railroad Commission for permission to issue stocks and bonds, construct an extension of its line of railway, and build such line of railway across public highways at grade, a public hearing having been held, and the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for by the issue of such stock and bonds, the sale of which may hereafter be authorized, is reasonably required for the purpose or purposes specified in this order, and that the expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income;

*It is hereby ordered*, that California Southern Railroad Company be, and it is hereby, authorized to guarantee the payment of the \$35,000 note issued by Blythe Construction Company to The Atchison, Topeka and Santa Fe Railway Company, referred to in "Exhibit B" attached to the petition herein; to issue \$35,000 of its first mortgage 6 per cent bonds, not exceeding \$100,000 of its second mortgage 6 per cent bonds, and not exceeding \$50,000 of its common capital stock, upon the following conditions and not otherwise:

1. The first mortgage bonds herein authorized shall be delivered to The Atchison, Topeka and Santa Fe Railway Company and held by it as collateral security for the payment of the \$35,000 note issued by Blythe Construction Company, and upon the payment of such note the \$35,000 of bonds shall be returned to the treasury of California Southern Railroad Company, and thereafter issued only as authorized by the Railroad Commission.

2. The second mortgage bonds and the common stock herein authorized, or such other amount of stock and bonds as may be authorized by a supplemental order, shall be sold by applicant for not less than 80 per cent of their par value and the proceeds used for the purpose of acquiring the line of railway referred to in this petition; provided, however, that none of such bonds and stock be actually disposed of in



any manner whatsoever until the Commission has made a supplemental order or orders in this proceeding finding that a specific amount of money has actually been expended on said extension, and specifying the amount of bonds and stock which may be sold or otherwise disposed of because of such expenditures.

3. All initial expenditures incurred in connection with the construction of the extension herein referred to, shall be recorded, as required by the Interstate Commerce Commission's classification of accounts.

4. The authority herein granted to issue bonds will not become effective until California Southern Railroad Company has paid the fee prescribed by the Public Utilities Act.

5. California Southern Railroad Company shall keep such record of the issue of the stock and bonds herein authorized and of the disposition of the proceeds as will enable it to file, on or before the twenty-fifth day of each month, a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

6. The authority herein granted will apply only to such stock and bonds as may be issued on or before October 1, 1920.

*It is hereby further ordered*, that permission be, and it is hereby, granted to California Southern Railroad Company to construct its track at grade across the highways referred to in its Exhibit No. 1 and in the testimony herein, subject to the following conditions:

(a) The entire expense of constructing such crossings, together with the cost of their maintenance, in good and first class condition, for the safe and convenient use of the public, shall be borne by the applicant.

(b) The crossings shall be constructed of a width and type of construction to conform to that portion of the road to be crossed now graded, or with grades of approach not exceeding 4 per cent; shall be protected by a suitable crossing sign, and shall in every way be made safe for the passage thereover of vehicles and other road traffic.

(c) The Commission reserves the right to make such further orders relative to the location, construction, operation, maintenance and protection of said crossings, as to it may seem right and proper, and to revoke its permission if, in its judgment, the public convenience and necessity demand such action.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this fifth day of February, 1920.

## DECISION No. 7105.

IN THE MATTER OF THE SERVICE OF GAS BY MIDWAY GAS COMPANY, SOUTHERN CALIFORNIA GAS COMPANY, LOS ANGELES GAS AND ELECTRIC CORPORATION AND SOUTHERN COUNTIES GAS COMPANY.

Case No. 1390.

Decided February 9, 1920.

**JURISDICTION—CONTRACTS—PRIOR RIGHTS TO SERVICE.**—It is held that the Commission has the right to readjust service in the wholesale supply of gas by one utility to two or more other utilities irrespective of the provisions of a contract held by one of such purchasing companies which it is claimed gives it a prior right to such service.

**GAS SERVICE—INDUSTRIES—REVENUE FROM.**—A gas utility which has created a market for gas sales to industrial consumers is entitled to a return sufficient to compensate it for the loss of revenue from such industrial users whom it is unable to care for due to a shortage of supply which requires deliveries to other utilities to care for domestic and other prior demands.

**GAS SERVICE—SHORTAGE OF SUPPLY—PRIORITIES.**—Priorities based on rate schedules are eliminated and deliveries based on essential needs. All industries receiving service under such classification to be placed upon the same rate schedule, namely \$75 per month minimum at rate of 30 cents per thousand cubic feet. Industries that can use other fuels, whether equipped therefor or not, will not be considered as having a prior right, only such industries as can use no other fuel to be given preference.

Respondent utilities directed to take immediate steps towards installation of additional equipment and improvements to their systems that will enable them to properly care for increased demands for service and rules established governing the operation of transmission and distributing systems and the apportionment of gas supplies with a view to equalizing service conditions and providing, as near as possible, for all demands for service.

*Herbert J. Goudge, Paul Overton, and S. W. Guthrie, for the Los Angeles Gas and Electric Corporation.*

*Hunsaker, Britt & Edwards, by Leroy M. Edwards, for Southern Counties Gas Company.*

*Jared How, for Midway Gas Company and Southern California Gas Company.*

*Charles S. Burnell, Jesse E. Stephens and William P. Measley, for the city of Los Angeles.*

*M. Estudillo, for the city of Riverside.*

*Benjamin E. Paige, Arthur E. Hurt and Eugene D. Williams, for the Southwestern Shipbuilding Company.*

*S. M. Haskins, for the Los Angeles Shipbuilding and Dry Dock Company.*

*I. G. Lewis, for the Chamber of Commerce of San Pedro, the Chamber of Commerce of Harbor City and the Chamber of Commerce of Lomita.*

*William W. Phelps, for the city of Hermosa Beach.*

*EDGERTON, Commissioner.*

## OPINION.

As a result of another hearing in this matter it becomes advisable to modify the order made herein on December 11, 1919.

That order makes no provision for compensating Southern California Gas Company for the loss of revenue resulting from cutting off service

to its industrial consumers of natural gas in order to give Los Angeles Gas and Electric Corporation gas to maintain its service to domestic consumers.

Very serious question has been raised in this proceeding as to the exact status of the various companies with relation to the right to the use of the available natural gas. The Los Angeles Gas and Electric Corporation insists that it is a consumer of the Midway Gas Company, taking delivery at Glendale, and that Southern California Gas Company is also a consumer of Midway, occupying no preferred status—and this notwithstanding a written contract between Midway and Southern California gas companies whereby it is agreed Southern California Gas Company shall have natural gas from Midway company sufficient for its needs. It is contended, however, by Los Angeles Gas and Electric Corporation, that this contract is ineffective as against the powers of this Commission to regulate the delivery and supply of this gas and that the Commission in exercising its powers should disregard the terms of this contract and treat the two companies alike, giving to each gas sufficient to serve domestic and commercial consumers and also sufficient to generate artificial gas and reform natural gas into artificial gas.

On the other hand, Southern California Gas Company takes the position that it has a prior right as against Los Angeles Gas and Electric Corporation to the use of natural gas and that the latter company can only claim delivery of gas after all consumers of Southern California Gas Company have been cared for. However, Southern California Gas Company is willing on the order of this Commission to deliver to Los Angeles Gas and Electric Corporation a supply of natural gas sufficient to care for its domestic and commercial consumers, provided it is compensated therefor so that it will suffer no loss as compared with the revenue derived prior to the time when it cut off its industrial consumers to deliver gas used by them to the Los Angeles Gas and Electric Corporation.

I believe it must be held that this Commission has power to regulate the service in the supply of gas by Midway Company to both the Southern California Gas Company and to Los Angeles Gas and Electric Corporation and that the contract or any contracts which in terms provide conditions of such service are subject to the powers of the Commission.

In exercising this power, however, I believe the Commission should give consideration in this case to the facts with relation to bringing the natural gas to Los Angeles and its delivery to consumers and that the Commission should so act as to conform to the reasonable rules of justice.

It appears that Southern California Gas Company has been the active agency for the promotion of the use of natural gas in Los Angeles and vicinity. At a time when the natural gas brought down to Glendale by Midway Gas Company did not find a complete and ready sale, Southern California Gas Company vigorously promoted the use of this natural gas by industry until now the industrial demand far exceeds the existing supply. The revenue from the use of natural gas by industry is a substantial part of the total revenue of Southern California Gas Company. Therefore it appears to me that where we call upon Southern California Gas Company in times of peak demand to shut off its industrial consumers, which means the cessation of revenue from this source, we must in fairness call upon the company benefited by this action, to wit, Los Angeles Gas and Electric Corporation, to make up this revenue.

I do believe, therefore, it should be decided, for the purpose of this order, that Southern California Gas Company is entitled and shall have from Midway Gas Company at Glendale all natural gas over and above that which normally has been given to Los Angeles Gas and Electric Corporation; that at the times of peak demand, when this supply to Los Angeles Gas and Electric Corporation is not sufficient to care for its domestic consumers, that Southern California Gas Company deliver to Los Angeles Gas and Electric Corporation an amount of natural gas sufficient to maintain the prescribed quality of gas to its domestic consumers, and that for this service Los Angeles Gas and Electric Corporation pay to Southern California Gas Company twenty cents (\$.20) per thousand (1000) cubic feet for all gas delivered over and above fifteen million (15,000,000) cubic feet per day normally delivered to Los Angeles Gas and Electric Corporation; this rate to be paid from and after December 11, 1919.

Southern Counties Gas Company is constructing a gas transmission line from its system near Montebello to the Midway line extending from the Murphy-Coyote fields to Lynwood, whereby it is expected that the Midway supply to the Los Angeles district will be augmented by an amount of two million (2,000,000) cubic feet per day. To supply this Southern Counties Gas Company must discontinue industries now receiving natural gas in Orange and eastern Los Angeles counties. This act is in general compliance with the former order of the Commission.

From a practical operating standpoint, it is advisable for Southern Counties Gas Company to supply a constant amount of gas per day to Midway Gas Company, and that the latter company vary its supply to Long Beach district as required to give adequate service. In view of this additional supply by Southern Counties Gas Company it

appears that during the period of this order industries in Long Beach district of Southern Counties Gas Company should be treated on a parity with similar consumers on Southern California Gas Company's system. Southern Counties Gas Company should receive for this gas twelve cents (\$.12) per thousand (1000) cubic feet delivered to Midway Gas Company.

Southern California Gas Company should supply the Long Beach district with sufficient gas, when augmented with such gas as can be supplied by Southern Counties Gas Company, for domestic and commercial purposes, and, except for local transmission or distribution conditions which may prevent, it should supply gas for industrial purposes so that industries in Long Beach will be on a parity with industries on Southern California Gas Company's system, and that this gas should be supplied at the rate as specified in the contract, being a rate of nineteen cents (\$.19) per thousand (1000) cubic feet.

There is a fairly constant supply of natural gas but a widely fluctuating demand both hourly and daily, largely dependent upon temperature. As nearly as possible, from an operating standpoint, uniform delivery of gas to industries is advisable, also variation in demands from transmission lines should be minimized. A uniform quality of gas to consumers should, as near as practicable, be maintained. In view of these facts it is very difficult and practically impossible, that a definite amount of gas be allotted to each utility or industry and the order of the Commission must primarily be a statement of principles. The utilities must heartily cooperate with each other and the Commission in order that the most efficient use of the gas be had.

The previous order directed the division of gas on the basis of artificial gas manufacture of 570 B.t.u. per cubic foot. A more constant use of natural gas can be obtained by varying the heat content of artificial gas manufactured, making a low heat content on the warmer days, and increasing the heat content on days of peak sendout. With the variation of heat content of artificial gas from 500 to 600 B.t.u. per cubic foot, the variation of supply of natural gas necessary for Los Angeles Gas and Electric Corporation to comply with the specifications of the Commission's order may be limited to a minimum of 15,300,000 cubic feet and to a maximum of 18,400,000 cubic feet Glendale delivery. With constant quality of artificial gas of 570 B.t.u. the variation would have to be from 14,200,000 to at least 19,700,000 cubic feet. Southern California Gas Company can similarly reduce the variation by varying its artificial gas. The order as previously made should be modified in order to allow this variation.

The former rates for industrial service provided that priority to gas depended upon the rate schedule chosen by the consumer and not

according to necessity of use of gas. This rule has not been followed out during the past few weeks but the priority has been based more generally upon the necessity for gas. I believe that, as to the gas which is at this time to be available to industries, all industries receiving a priority based upon the essential need of gas should be placed upon a parity as to rates and that this rate should be that as classified as Schedule No. "A-7" of Southern California Gas Company, for a guarantee of \$75 per month and a rate of 30 cents per thousand cubic feet, and that consumers who continue to obtain gas under the specifications of this order shall be placed upon this schedule and continued thereon.

Special investigation of industries must be had to determine what industries shall be allowed to be considered as having a prior right to gas. It may be well to state, as a general rule, that industries which can use other fuels, whether equipped or not, will not be considered as having a right to the use of gas during a shortage. Only such industries as can use no other fuel will be given a preference. The Commission is directing that an investigation be made by its gas and electric division into the needs of each of the industries sufficient to determine their status in such cases as it is necessary that investigation be had.

In the order herein the principles of division of gas will be somewhat modified from those set forth in the Commission's decision of December 11, 1919, the main modifications being certain limitations and requirements as to artificial gas. I do not believe it practical to guarantee the industries continued on the lines a full supply of gas regardless of conditions of supply or demands of the domestic and commercial service. I believe, however, under the division herein specified, that the industries will usually be given an adequate supply.

Some evidence was introduced at this last hearing relative to the advisability of changing the heat unit standard of gas now being supplied to domestic consumers in the city of Los Angeles and vicinity, but in view of the fact that exhaustive tests are to be made of the resulting service to domestic consumers of different qualities of gas, decision in this matter should be held in abeyance until these tests have been made and the results laid before the Commission at the hearing to be held February 18, except for a slight extension of the permissible variation provided for in this order.

The evidence before the Commission at this time in this whole matter indicates very clearly that because of the rapid growth in the demand for gas in the southern part of this state the gas companies are not at this time adequately equipped to care for the present and future demands. This is a situation which should not be allowed to continue, as serious results will surely come if adequate plans are not

immediately prepared for meeting the constantly increasing demands for gas.

I believe it is incumbent upon the existing gas companies immediately to prepare and submit to this Commission plans designed to fulfill the obligation of these companies in meeting the demands of present and future consumers and the order herewith following will so provide.

At the hearing now set for February 18 consideration will be given to the status of oil companies furnishing natural gas to gas companies involved herein.

I recommend that the following order be adopted as a substitute for the order made herein on December 11, 1919, with the understanding that this whole proceeding be kept open for the purpose of giving further consideration to all the matters involved herein after a reasonable trial period has been had of the effect of the order herein proposed.

#### ORDER.

Further hearing having been held in the above entitled proceeding, and it appearing that a modification of the previous order be had;

*It is hereby ordered*, effective on and after the tenth day of February, 1920, as follows:

1. Midway Gas Company shall operate its gas transmission system in the Kern County or Bakersfield district so that domestic and commercial service will be adequate in so far as Midway Gas Company can control the same.

2. Southern Counties Gas Company shall operate its gas transmission system in the Orange County and east Los Angeles County districts so that adequate domestic and commercial service will be rendered.

3. Midway Gas Company, Southern California Gas Company and Southern Counties Gas Company shall continue to distribute natural gas in those parts of their distribution systems which were, on November 15, 1919, supplied with natural gas.

4. The service of "mixed gas" in the city of Los Angeles and vicinity, which was in effect on November 15, 1919, on the systems of Los Angeles Gas and Electric Corporation and Southern California Gas Company, shall be continued.

5. The mixed gas supplied by Los Angeles Gas and Electric Corporation and Southern California Gas Company in Los Angeles and vicinity shall contain, under standard conditions of temperature and pressure, a monthly average total heating value of not less than 815 B.t.u. per cubic foot. The determination of the average total heating value shall be in accordance with Rule 22 of General Order No. 58 of the Railroad Commission of the State of California. The maximum variation from

the average total heating standard of mixed gas herein established shall at no time exceed 45 B.t.u. per cubic foot above or 65 B.t.u. below said average.

6. Southern California Gas Company shall supply to Southern Counties Gas Company's Long Beach district natural gas sufficient for domestic and commercial service and service to industries entitled to gas under this order in that district, and Southern Counties Gas Company shall increase the supply to the Los Angeles district for use of its domestic and commercial consumers in Long Beach and vicinity by discontinuing service to industrial consumers in its Eastern District as necessity demands.

7. Southern California Gas Company, Southern Counties Gas Company and Los Angeles Gas and Electric Corporation shall make use of their holder capacity in so far as practical to reduce the peak demands for gas from the transmission systems.

8. Natural gas available to Los Angeles district from the Glendale terminal and the Lynwood and Vernon terminals of Midway Gas Company shall be distributed by Midway Gas Company and Southern California Gas Company as follows, in the order of priority as listed:

(a) Requirements of Southern Counties Gas Company's Long Beach district for domestic and commercial purposes, and requirements of Southern California Gas Company for direct natural gas service for domestic and commercial purposes where formerly supplied.

(b) Requirements of Southern California Gas Company and Los Angeles Gas and Electric Corporation for mixing purposes sufficient to comply with the requirements set forth herein, based upon artificial gas varying from 500 B.t.u. per cubic foot to 600 B.t.u. per cubic foot, dependent upon sendout requirements.

(c) Requirements of industrial consumers of Southern California Gas Company and Southern Counties Gas Company's Long Beach district where gas fuel is essential to operation.

(d) Requirements of Southern California Gas Company for reforming and gas plant operation and sale for industrial purposes.

*It is hereby further ordered*, that, pending final decision in the matter, the natural gas supply of Midway Gas Company delivered at Glendale be apportioned between Los Angeles Gas and Electric Corporation and Southern California Gas Company, to be effective from and after December 11, 1919, as follows:

To Los Angeles Gas and Electric Corporation-----15,000,000 cubic feet daily  
To Southern California Gas Company----All in excess of 15,000,000 cubic feet

provided, that in case the total delivery of gas to the Los Angeles district terminal shall, due to any cause, not be such as to render sufficient to Southern California Gas Company to make available a



quality of mixed gas equal to that produced by Los Angeles Gas and Electric Corporation, the amount shall be so divided as to make possible an equal quality of mixed gas on both systems.

*It is hereby further ordered, that:*

(1) Any natural gas supplied to Los Angeles Gas and Electric Corporation in excess of fifteen million cubic feet in any one day shall be supplied to it by Southern California Gas Company.

(2) Los Angeles Gas and Electric Corporation shall pay Southern California Gas Company 20 cents per thousand cubic feet for all natural gas received by it in excess of fifteen million cubic feet per day from and after December 11, 1919.

(3) Midway Gas Company shall pay to Southern Counties Gas Company 12 cents per thousand cubic feet for all gas delivered by Southern Counties Gas Company to Midway Gas Company from the Eastern fields.

(4) Industrial consumers continuing the use of gas under the classification of part (c) of section 8 of this order on Southern California Gas Company's system shall pay for such gas, based upon all service rendered on and after February 10, 1920, the rate of 30 cents per thousand cubic feet as specified in Schedule No. "A-7" of the Southern California Gas Company, and such industries on Southern Counties Gas Company's Long Beach system shall pay a rate of not less than 35 cents per thousand cubic feet, as set forth in Schedule No. "2-C" of Southern Counties Gas Company.

(5) On or before February 18, 1920, Midway Gas Company, Southern California Gas Company, Los Angeles Gas and Electric Corporation and Southern Counties Gas Company shall submit to this Commission studies of their requirements for additional production, transmission and distribution facilities and plans for supplying adequate service to their consumers during the winter of 1920-1921.

This order shall be effective until March 31, 1920, unless otherwise modified by this Commission.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this ninth day of February, 1920.

## DECISION No. 7106.

IN THE MATTER OF THE APPLICATION OF THE COUNCIL OF THE CITY OF RICHMOND, STATE OF CALIFORNIA, FOR AN ORDER REQUIRING THE SOUTHERN PACIFIC COMPANY TO ENLARGE THE MACDONALD AVENUE SUBWAY IN THE CITY OF RICHMOND.

Application No. 3781

Decided February 9, 1920.

*D. J. Hall*, City Attorney, for Applicant.

*Frank B. Austin*, for United States Railroad Administration; Southern Pacific Railroad.

*C. W. Durbrow*, for Southern Pacific Company, Corporation.

*George H. Harris*, for San Francisco-Oakland Terminal Railways.

*William H. Schooler*, in propria persona.

MARTIN, Commissioner.

## SUPPLEMENTAL OPINION.

Decision No. 7029 of January 12, 1920, in the above matter, contains the following order:

(3) The city of Richmond shall acquire the three and one-half lots on the north-east corner of Nineteenth street and Macdonald avenue and shall grade and pave the subway approaches with grades not exceeding five (5) per cent, with the exception of those portions between the street car rails and two (2) feet outside thereof, which shall be graded and paved by the San Francisco-Oakland Terminal Railways, as hereinbefore ordered. The city of Richmond shall also extend the subway abutment walls, as required by the changes in grade, and shall do all the remainder of the work necessary to complete the subway in accordance with said Plan No. 2.

The acquisition of these lots by applicant is for the purpose of widening and extending Nineteenth street, in order to conform with the plans for reconstruction of the Macdonald avenue subway under the tracks of the Southern Pacific Company.

It now appears to applicant that it will not be necessary for the city to acquire all of the aforesaid lots and that only such portions are needed as may be necessary to comply with the order of the Commission. Applicant has, therefore, requested a modification of the order to this extent.

This request should be granted, and I recommend the following form of supplemental order:

## SUPPLEMENTAL ORDER.

City of Richmond, having, on January 24, 1920, made written request for the modification of the original order herein as set forth in the foregoing supplemental opinion; it appearing to the Commission that this is not a case in which a public hearing is necessary; the

Commission being fully advised in this matter, and of the opinion that this request should be granted;

*It is hereby ordered*, that condition three (3) of Decision No. 7029 be and the same is hereby modified to read as follows:

(3) The city of Richmond shall acquire such portions as are necessary of the three and one-half lots on the northeast corner of Nineteenth street and Macdonald avenue and shall grade and pave the subway approaches with grades not exceeding five (5) per cent, with the exception of those portions between the street car rails and two (2) feet outside thereof, which shall be graded and paved by the San Francisco-Oakland Terminal Railways, as hereinbefore ordered. The city of Richmond shall also extend the subway abutment walls, as required by the changes in grade, and shall do all the remainder of the work necessary to complete the subway in accordance with said Plan No. 2.

The foregoing supplemental opinion and supplemental order are hereby approved and ordered filed as the supplemental opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this ninth day of February, 1920.

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DECISION No. 7107.

IN THE MATTER OF THE APPLICATION OF FRESNO CITY WATER COMPANY, A CORPORATION, TO SELL, AND FRESNO CITY WATER CORPORATION, A CORPORATION, TO PURCHASE THE ENTIRE DOMESTIC WATER SYSTEM AND ASSETS OF FRESNO CITY WATER COMPANY.

Application No. 5208.

IN THE MATTER OF THE APPLICATION OF FRESNO CITY WATER CORPORATION FOR AN ORDER AUTHORIZING THE ISSUE OF BONDS.

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Application No. 5209.

Decided February 10, 1920.

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*Murray Bourne*, for Applicant.

LOVELAND, *Commissioner*.

**OPINION.**

The above entitled applications were consolidated for hearing and decision.

In Application No. 5208, Fresno City Water Company asks permission to sell all its properties, more particularly described in Exhibit No. 2 attached to the petition, to Fresno City Water Corporation. The purchasing company asks authority to issue \$350,000 of its stock in payment for the properties and assume the payment of all the outstanding obligations of Fresno City Water Company.

In Application No. 5209, as amended at the hearing, Fresno City Water Corporation asks permission to execute a mortgage and deed of trust securing the payment of \$2,500,000 of 6 per cent 40-year bonds payable September 1, 1959, and issue forthwith \$250,000 of said bonds, \$200,000 to secure funds to pay for the construction of extensions, additions and betterments to plant and \$50,000 to secure funds to pay current indebtedness of Fresno City Water Company.

Fresno City Water Company has an authorized bond issue of \$350,000, of which \$298,000 have been issued. Of the bonds issued, \$63,000 have been acquired for the sinking fund, leaving \$235,000 outstanding. The current liabilities of the company, as of November 30, 1919, are reported at \$46,357.35 and the stock outstanding at \$350,000. The books of the Fresno City Water Company, according to the testimony, show an investment of \$635,556.76, whereas the present value of the plant is estimated at \$714,000. The record shows that the \$714,000 consists of the reproduction cost new of the properties of Fresno City Water Company as found by J. G. White & Company on October 31, 1911, plus the cost of extensions, additions and betterments since that date.

As of November 30, 1919, Fresno City Water Company reports an accumulated surplus of \$178,692.93, the larger part of which represents surplus earnings invested in plant.

According to the record, the main reason for the transfer of the properties of Fresno City Water Company, the organization of Fresno City Water Corporation, and the proposed acquisition by it of the properties of Fresno City Water Company, is that the present mortgage of Fresno City Water Company is inadequate to take care of its requirements. Officers of the company believe that better prices can be secured for bonds of a new company than for bonds of Fresno City Water Company issued under a new mortgage executed by it. The transfer of the properties does not contemplate any change in the control of the properties, nor in their management or operation.

Fresno City Water Corporation asks authority to sell \$200,000 of bonds and use the proceeds to pay for the construction of an office building and other additions and betterments described in its Exhibit No. 3. The office building is to be a modern class "A" fireproof structure 80 feet by 100 feet, either six or seven stories in height, and located at Fresno and "O" streets in the city of Fresno. Such floor space as the water company does not require for its own use it intends to lease to San Joaquin Light and Power Corporation for the term of ten years, at an annual rental which will net the water company an 8 per cent return on the money invested in that portion of the building leased to the power company. The record shows that about

five-sixths of the floor space in the new building will be occupied by the power company. The stockholders of the water company are large stockholders in the power company, and they are of the opinion that on account of expenditures which the power company has undertaken for the purpose of developing additional electrical energy, it is desirable that the office building be constructed by the water company. The testimony shows that a lease of similar space in a building in Fresno would cost the power company a great deal more than it agrees to pay the water company. A copy of the lease has been filed in this proceeding as applicants' Exhibit No. 1. Inasmuch as the lease is between two public utility corporations, the Commission reserves the right to modify it at any time.

There is on file in these proceedings a copy of the proposed mortgage of Fresno City Water Corporation. At the hearing, it was agreed to modify the proposed mortgage in several respects, and not until the Commission has been furnished with a revised copy of the proposed mortgage can a final order be made in this proceeding.

I herewith submit the following form of order:

#### ORDER.

Applications having been filed with the Railroad Commission involving the transfer of the properties of Fresno City Water Company; the execution of a mortgage and the issue of stock and bonds by Fresno City Water Corporation; a public hearing having been held, and the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose or purposes specified in this order, and that the expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income;

*It is hereby ordered*, that Fresno City Water Company be, and it is hereby, authorized to sell and transfer to Fresno City Water Corporation all its properties, more particularly described in Exhibit No. 2 attached to the petition in Application No. 5208.

*It is hereby further ordered*, that Fresno City Water Corporation be, and it is hereby, granted authority to issue \$350,000 of stock in payment for the properties of Fresno City Water Company, and assume all the obligations of that company, and to issue \$250,000 of its 6 per cent 40-year bonds; provided, that none of said bonds be issued until the Commission by supplemental order has authorized Fresno City Water Corporation to execute a mortgage securing the payment of said bonds.

*It is hereby further ordered*, that Fresno City Water Corporation be, and it is hereby, granted authority to enter into a lease substantially

in the same form as the lease filed in this proceeding and marked applicant's Exhibit No. 1, it being understood that the Commission reserves the right to modify such lease at any time it may deem such modification necessary.

The authority herein granted is upon the following conditions, and not otherwise:

1. The bonds herein authorized shall be sold by Fresno City Water Corporation at not less than 92½ per cent of their face value plus accrued interest.

2. The proceeds from the sale of \$50,000 of bonds may be used to pay current indebtedness of Fresno City Water Company, the payment of which is being assumed by Fresno City Water Corporation.

3. The proceeds from the sale of \$200,000 of bonds may be used for the construction of extensions, additions and betterments described in applicant's Exhibit No. 3.

4. The consideration at which Fresno City Water Company is herein authorized to sell and transfer its properties shall not be urged before this Commission, or any other public body, as fixing a value of said properties for rate making or any purpose other than the transfer herein authorized.

5. Fresno City Water Company and Fresno City Water Corporation shall submit to the Railroad Commission for approval a copy of all book entries relating to the transfer and acquisition of the properties referred to herein.

6. Fresno City Water Corporation shall keep such record of the issue and sale of the stock and bonds herein authorized and of the disposition of the proceeds as will enable it to file on or before the twenty-fifth day of each month a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

7. The authority herein granted will not become effective until Fresno City Water Corporation has paid the fee prescribed in the Public Utilities Act.

8. The authority herein granted will apply only to such transfer as may be made and to such stock and bonds as may be issued on or before October 1, 1920.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this tenth day of February, 1920.

## DECISION No. 7108.

IN THE MATTER OF THE APPLICATION OF SOUTHERN CALIFORNIA  
EDISON COMPANY, A CORPORATION, FOR AUTHORITY TO ISSUE  
AND SELL BONDS TO THE AMOUNT OF SEVEN MILLION FIVE  
HUNDRED THOUSAND DOLLARS FACE VALUE.

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Application No. 5119.

Decided February 11, 1920.

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BY THE COMMISSION.

**THIRD SUPPLEMENTAL ORDER.**

Whereas, the Railroad Commission, by Decision No. 6864, dated November 24, 1919, as amended from time to time, authorized applicant to issue and sell \$7,500,000 of bonds and expend \$3,791,543.22 of the proceeds; and

Whereas, applicant reports that up to December 31, 1919, it has expended upon capital account the sum of \$2,037,830.43, as set forth in Exhibit "A" attached to the third supplemental petition herein, and therefore asks permission to withdraw from the special fund created as a result of the sale of said \$7,500,000 of bonds, and the Commission being of the opinion that applicant's request should be granted, as is herein provided; now, therefore,

*It is hereby ordered*, that Southern California Edison Company be and it is hereby granted authority to withdraw \$2,037,830.43 from the special funds created through, and as a result of, the sale of the \$7,500,000 of bonds, the issue of which was authorized by Decision No. 6864, dated November 24, 1919, to pay for and finance the cost of the properties set forth in Exhibit "A" attached to the third supplemental petition in the above entitled matter.

*It is hereby further ordered*, that the order in Decision No. 6864 dated November 24, 1919, as amended, shall remain in full force and effect, except as modified by this third supplemental order.

Dated at San Francisco, California, this eleventh day of February, 1920.

## DECISION No. 7110.

IN THE MATTER OF THE APPLICATION OF TULARE HOME TELEPHONE AND TELEGRAPH COMPANY, A CORPORATION, FOR AUTHORITY TO INCREASE ITS RATES FOR TELEPHONE SERVICE.

Application No. 4861.

Decided February 11, 1920.

A. B. Rochl and G. C. Harris, for Tulare Home Telephone and Telegraph Company.

BRUNDIGE, *Commissioner*.

## OPINION.

In this application the Tulare Home Telephone and Telegraph Company, hereinafter referred to as the company, asks the Commission's authority to increase its rates for all classes of telephone exchange service by approximately 50 cents per month for business and main line residence telephones, and 25 cents per month for four-party residence telephones, and to make certain changes in its rules and regulations. Applicant states that by reason of increased operating expenses, and because of its intention to increase the compensation of its employees, an increase in rate is necessary.

The company filed, with its application, an appraisal of its properties, as of October 15, 1919, showing a cost of reproduction new of \$72,033.82. No estimate was submitted by the company of the present depreciated value of the plant or of the original cost.

A public hearing was held in Tulare on October 18, 1919. It was stipulated that the Commission, through its engineering department, should make whatever investigation was deemed necessary, and that the report of the department dealing with the valuation and with matters of operation and service should be considered as evidence in the case.

This report has now been made and copy furnished to applicant. It appears that the company's appraisal is based on 1919 prices for labor and material. In some instances these prices are believed by the Commission's engineers to be unduly high. Also the figure of \$72,033 claimed by the company is undepreciated and does not represent the present value of the property. The Commission's engineers estimated the property to be in 77.5 condition per cent. Deducting accrued depreciation upon this basis the company's valuation would be reduced to the sum of \$55,826 without taking into consideration the assertion of the Commission's engineers that some of the prices for material and labor used in the company's computation were too high.

Engineers for the Commission made a valuation. The historical reproduction cost new was estimated to be \$47,207. Also they made



an estimate upon the basis of station costs from data obtained from other valuations, and by this method obtained a valuation, not considering depreciation, of approximately \$55,000.

At the hearing the company submitted in detail a schedule of wages which it desired to put into effect immediately. Allowing this wage schedule in full an analysis of the company's accounts shows that based upon the existing volume of business the company may expect in the year 1920 to secure a return of \$3,700 under existing rates. In this computation the amount heretofore charged by the company to depreciation has been reduced from \$3,480 to \$2,000 per annum, which latter figure is believed to be a reasonable allowance, and 25 per cent of the salary paid to the manager and the linemen is charged to capital account instead of operating expense, inasmuch as approximately that proportion of their time is devoted to new construction.

If it be assumed that the revenues of the plant during 1920 will increase approximately 10 per cent over those of 1919, then the company could expect in the present year a net revenue of \$4,700.

In the schedule of rates hereinafter set forth I am recommending an increase of 25 cents per month for both main-line and 4-party residence telephones, and that the company be authorized to charge 25 cents per month additional for desk telephones. This will provide an additional revenue of approximately \$1,900 per annum and should afford the company an adequate return upon the value of its property.

The company is not making any actual provision against depreciation and is using for capital purposes the money set aside as a reserve for depreciation. This I believe to be an unwise policy, for the reason that no provision is thus made to care for the replacements of depreciated property which must inevitably occur from time to time. A public utility is entitled to reasonable rates which will provide returns for operating expenses, taxes, a depreciation fund, and a fair return on the investment, but the ratepayer can not be expected to furnish, in addition, out of rates, the new capital required for additions and extensions. The depreciation allowance of \$2,000 per annum provided for in our engineering department's estimate is added to the rates for the specific purpose of providing sufficient money for the renewal of worn out or inadequate plant which must be replaced from time to time if the system is to be maintained in such condition that good service can be rendered. The reserve should be so held that the money will be available when the renewals are necessary.

I recommend that the Commission order the company to offer the classes of service now in effect with the rate schedule which is as follows:

	Per month	
	Business	Residence
Main line—wall -----	\$3 00	\$2 25
Two-party line—wall -----	2 50	-----
Four-party line—wall -----	-----	1 75
Extensions—wall or desk -----	1 00	1 00
Farmers' lines -----	60	40

For desk telephones, except for extensions, 25 cents additional per month will be charged.

All rules and regulations for service and service charges shall be as provided in this Commission's Decision No. 2879, decided November 5, 1915.

I recommend the following form of order:

#### ORDER.

The Tulare Home Telephone and Telegraph Company having filed with the Commission its application for an increase of rates, a hearing having been held, the matter having been submitted, and the Commission, basing its conclusions on the foregoing opinion and finding as a fact that the rates authorized and the classes of service enumerated in the foregoing opinion are just and reasonable;

*It is hereby ordered*, that the applicant is authorized to establish and file with the Commission, within thirty days of the date of this order, a schedule of rates and services as outlined in the foregoing opinion. Applicant is authorized to put these rates into effect, subject to the following conditions:

(a) Adequate and efficient telephone service must be rendered at all times for all classes of service.

(b) A depreciation reserve of \$2,000 per annum in installments of \$166.66 per month shall be set aside for the purpose of maintaining the plant in good condition and shall be used for such purposes only or as may be authorized by the Commission.

The foregoing opinion and order is hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this eleventh day of February, 1920.

## DECISION No. 7111.

IN THE MATTER OF THE APPLICATION OF WESTERN MOTOR TRANSPORT COMPANY, A CORPORATION, FOR AUTHORITY TO SELL AND ISSUE THREE THOUSAND ONE HUNDRED FIFTY SHARES OF ITS CAPITAL STOCK; AND, IN THE MATTER OF THE APPLICATION OF WESTERN MOTOR TRANSPORT COMPANY, A CORPORATION, TO PURCHASE THE FRANCHISES, RIGHTS, EQUIPMENT AND PROPERTY OF THE AUTO STAGE LINES OWNED AND OPERATED BY W. A. GENTRY, FOR THE TRANSPORTATION OF PASSENGERS, FOR HIRE, BETWEEN VALLEJO AND SACRAMENTO AND BETWEEN NAPA AND SACRAMENTO JUNCTION.

## Application No. 5144.

Decided February 11, 1920.

**ORGANIZATION WORK—AUTO STAGE LINES—ISSUANCE OF STOCK FOR.**—The Commission refuses to authorize the issuance of \$15,000 par value of stock to be delivered to an official of an auto stage transportation company for services in promoting and organizing such business when the applicant is unable to show any record of the time devoted to such work or expenses incurred in connection therewith.

**STOCK SALES—DISCOUNTS—EARNING POWER OF UTILITY.**—A public utility which has shown an earning power in excess of 8 per cent on its capital will not be permitted to issue and sell its stock at a price as low as 75. Stock authorized herein to be sold at not less than 85.

*Sanborn and Rochl*, by *A. B. Rochl*, for Applicants.

BY THE COMMISSION.

## OPINION.

Western Motor Transport Company asks authority to purchase operative rights and automobile equipment from W. A. Gentry, who is engaged in transporting passengers by automobile stages between Vallejo and Sacramento, and between Napa and Sacramento Junction; and to issue 3150 shares (\$315,000 par value) of the stock for the purposes hereinafter indicated. W. A. Gentry joins in the application in so far as it applies to the sale of his property.

A public hearing was held in this matter in San Francisco before Examiner Westover.

Western Motor Transport Company was organized on or about August 16, 1919, with an authorized stock issue of \$500,000, divided into 5000 shares of the par value of \$100 each. Stock in the amount of \$40,500 has been issued and is outstanding. The company now asks permission to issue additional stock in the amount of \$315,000. It proposes to issue \$15,000 of the stock to Aven J. Hanford, its president, as compensation for services in promoting, organizing and developing its business, and sell \$300,000 (3000 shares) at \$75 per share, and use the proceeds for the following purposes:

To acquire property and rights from W. A. Gentry.....	\$20,000 00
To acquire 25 additional stages .....	150,000 00
To acquire additional shop equipment.....	20,000 00
To use in developing and extending its business.....	25,000 00
Total .....	\$225,000 00

In regard to the issue of \$15,000 of stock to Aven J. Hanford, the only testimony offered was to the effect that Mr. Hanford had originated the enterprise, had made a number of trips to the central and southern portions of the state investigating the stage business in general, but had kept no record of the time devoted to the work nor the expenses incurred by him in connection therewith. The record shows that the work referred to was performed during a period of from 12 to 15 months prior to the hearing in December, 1919. During this period Aven J. Hanford, O. H. Klatt and F. D. Everman organized Oakland-Vallejo Transit Company, a copartnership, which acquired automobiles and established and operated an auto stage business between Rodeo and Oakland. In Decision No. 6848, dated November 15, 1919, the Railroad Commission authorized Oakland-Vallejo Transit Company to sell its properties and business to Western Motor Transport Company in exchange for \$40,000 of stock. The matter of organization and other expenses of the partnership were considered in Decision No. 6848, to which reference is hereby made, and we do not believe that the evidence before the Commission warrants the issue of any additional stock for purposes other than the acquisition of actual properties, and therefore, that portion of this application relating to the issue of stock for promotion services will be denied.

In Decision No. 6837, dated November 17, 1919, the Commission authorized Baughman and Lycke to transfer to W. A. Gentry certain operative rights. The record shows that at a cost of \$15,000, W. A. Gentry purchased from Baughman and Lycke 3 automobile stages and equipment. Since then, W. A. Gentry has acquired an additional automobile stage and equipment worth approximately \$5,000. The Western Motor Transport Company intends to acquire W. A. Gentry's automobile stages and equipment at an agreed cost of \$20,000 in cash.

Western Motor Transport Company asks permission to issue stock to purchase 25 new automobile stages at an estimated cost of \$150,000. The stages will have a seating capacity of 18 passengers. The company proposes to put 6 of them on the run between Vallejo and Sacramento, 11 between Oakland and Richmond, and 8 between Oakland and Rodeo. Between the latter two points, the company is now operating 5 stages. To show the need for additional automobile stages to take care of present traffic, or that to be expected in the near future, Western Motor Transport Company has submitted since the hearing an exhibit showing that since June, 1919, the company's predecessor in interest, Oakland-Vallejo Transit Company, carried between Oakland and Rodeo 8857 passengers, of which 1280 were carried in hired conveyances, and that during November, 1919, 1360 passengers out of a total of 9613 were carried in hired conveyances. The record shows that the number

of passengers carried during these months is fairly typical and indicates that about 15 per cent of the passengers were carried in hired conveyances. From December 15 to December 22, 1919, according to the testimony, 794 passengers applied for transportation between Oakland and Richmond, of whom about 30 per cent could not be accommodated. On the Gentry lines, for the month ending December 17, 1919, 9 per cent of the applicants (total applicants 1303) were refused accommodation because of lack of equipment. Unless all applicants for transportation are taken care of, it can not be said that the public is being properly served. We are satisfied that the Western Motor Transport Company should acquire additional equipment, but it by no means follows that it is necessary for it at this time to purchase 25 additional stages.

The officers of the company believe that they can greatly stimulate stage travel by improving the service between Oakland and Sacramento so as to include two round-trips daily and by modifying the time schedule so as to better serve the public. To give this improved service, provide for heavy travel week ends and holidays, and for part of the equipment being idle at times while under repair, we consider that 15 additional stages will be ample at this time. The matter of purchasing additional equipment, if and when needed, can be covered by a supplemental order or orders herein to the extent that the issue of stock is asked for in this application.

The estimate of the cost of shop facilities and equipment, including oil and gasoline storage and pumping facilities, appears to be reasonable.

As to the \$35,000 of additional capital to be used in developing and extending the business, the company proposed at the hearing that sales of stock for this purpose should only be authorized as needed through supplemental orders to be issued by the Commission.

Western Motor Transport Company asks permission to sell its stock at \$75 per share. The testimony herein, however, shows that Oakland-Vallejo Transit Company, whose properties have been acquired by Western Motor Transport Company, earned 8 per cent on a \$100,000 valuation, though its investment was considerably less. We are in no way passing upon the value of the stock, but are of the opinion that the testimony herein does not warrant this Commission to permit Western Motor Transport Company to sell its stock at a figure as low as \$75 per share. In this connection, attention may properly be called to Decision No. 2385, dated May 12, 1915 (Vol. 6, Opinions and Orders of the Railroad Commission, pp. 928-929), which decision was written by President Edgerton, in which he uses this language:

It would be extremely unfortunate if the idea should become lodged in the public mind that Commission authorization to issue stock entails a recognition or belief

on the part of the Commission that such stock is necessarily a good investment. The Public Utilities Act does not contemplate that the Commission shall exercise any such function. It does contemplate that the Commission shall, in the exercise of its duties, see that the utility receives an adequate return for the stock which it issues. \* \* \*

It has been the aim of the Commission, as far as could reasonably be done, to safeguard the issues of stocks and bonds. It has never pretended to say that stocks and bonds which it authorized were necessarily good stocks and bonds for an intending investor to buy. On the contrary, it has specifically and repeatedly stated that stocks and bonds issued upon Commission authorization must take their place in the financial world with stocks and bonds heretofore or hereafter issued, and were, therefore, liable to the same economic laws to which all investment is necessarily subject. There is no guarantee by the state. \* \* \*

Every stock and every bond issued with the authorization of this Commission should, by the investing public, be subjected to the same scrutiny and to the same test as any other stock or bond which might be available on the market for public purchase.

My comments upon this subject are not intended to refer to any particular corporation.

#### ORDER.

Western Motor Transport Company and W. A. Gentry having applied for authority to transfer property, to operate an auto stage line for the transportation of passengers, and to issue stock, as more fully described hereinabove, a public hearing having been held, and the Commission being of the opinion that the money, property or labor to be procured or paid for by such issue of stock as is herein authorized is reasonably required for the purpose or purposes specified in this order, and that the expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income;

*It is hereby ordered*, that the application for the transfer of the property and operative rights of W. A. Gentry to Western Motor Transport Company be, and it is hereby, authorized, subject to the following conditions:

1. W. A. Gentry shall immediately cancel all his tariffs and schedules now on file with the Railroad Commission, such cancellation to be in accordance with the provisions of General Order No. 51 and other regulations of the Commission.

2. Western Motor Transport Company, a corporation, shall file in its own name tariffs and time schedules, or to adopt as its own the tariffs and time schedules heretofore filed by said W. A. Gentry, all rates and fares to be the same as those heretofore filed with this Commission by said W. A. Gentry.

3. The rights and privileges, the transfer of which are hereby authorized, may not hereafter be assigned or transferred unless the written consent of the Railroad Commission to such transfer or assignment has first been secured.

4. No vehicle may be operated by Western Motor Transport Company, a corporation, unless such vehicle is owned by said Western

Motor Transport Company, or is leased by it, under a contract or agreement on a basis satisfactory to the Railroad Commission.

*It is hereby further ordered*, that Western Motor Transport Company be, and it is hereby, authorized to issue and sell \$153,000 par value of its common capital stock, subject to the following conditions:

(a) Stock herein authorized shall be sold by Western Motor Transport Company for cash at not less than 85 per cent of its par value net to the company.

(b) The proceeds realized from the sale of the stock herein authorized shall be used for the following purposes:

To acquire from W. A. Gentry the property described in the petition	\$20,000 00
To acquire additional shop equipment described in the petition	20,000 00
To acquire 15 additional stages to be constructed along the lines set forth in the petition and testimony herein	90,000 00

(c) Western Motor Transport Company shall keep such record of the issue and sale of stock herein authorized and of the disposition of the proceeds as will enable it to file on or before the twenty-fifth day of each month a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

(d) The authority herein granted shall apply only to such stock as may have been issued on or before six months from the date hereof.

*It is hereby further ordered*, that, that portion of the application requesting authority to issue 150 shares of capital stock for compensation for services rendered in connection with the promotion and organization of Western Motor Transport Company be, and it is hereby, denied.

Dated at San Francisco, California, this eleventh day of February, 1920.

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#### DECISION No. 7112.

IN THE MATTER OF THE APPLICATION OF MURRIETTA VALLEY ELEVATOR COMPANY, A CORPORATION, FOR AUTHORITY TO BORROW TWELVE THOUSAND DOLLARS, AND TO EXECUTE A MORTGAGE AS SECURITY THEREFOR.

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Application No. 5314.

Decided February 11, 1920.

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*Sarau and Thompson*, by *George Sarau*, for Applicant.

BRUNDIGE, *Commissioner*.

#### OPINION.

Murrietta Valley Elevator Company asks permission to issue a \$12,000 three-year 7 per cent note and execute a mortgage to secure the payment of the note.

Applicant reports that at a cost of \$23,742.20 it acquired real property, constructed thereon a reinforced concrete elevator building having a capacity of 30,000 bushels of grain, and equipped the same; that it has issued and sold at par \$13,250 of stock and that the remainder of the money necessary to pay for the elevator properties was obtained through the issue of short term notes.

The testimony shows that applicant has made arrangements to borrow from the Security Savings Bank of the city of Riverside \$12,000, such loan to be evidenced by a 7 per cent note payable on or before three years from the date thereof. The payment of the note is to be secured by a mortgage substantially in the same form as the mortgage attached to the petition and marked Exhibit "F."

I herewith submit the following form of order:

#### ORDER.

Murrietta Valley Elevator Company having applied to the Railroad Commission for permission to issue a note and execute a mortgage, a public hearing having been held, and the Commission being of the opinion that applicant reasonably requires the money, property or labor to be procured by the issue of such note, and that the expenditures for such purposes are not in whole or in part reasonably chargeable to operating expenses or to income;

*It is hereby ordered,* that Murrietta Valley Elevator Company be, and it is hereby, authorized to issue a \$12,000 note payable on or before three years after the date hereof and bearing interest at the rate of 7 per cent per annum, payable quarterly, and execute a mortgage in substantially the same form as the mortgage attached to the petition herein and marked Exhibit "F" for the purpose of securing the payment of said note; provided, that—

1. The note herein authorized is issued for not less than par, and the proceeds used to pay indebtedness represented by notes due Consolidated Bank of Elsinore, Citizens National Bank of Riverside, International Harvester Company, and C. J. Thompson, all of which notes are referred to in the petition herein.

2. The approval herein given of said mortgage is for the purpose of this proceeding only and an approval in so far as this Commission has jurisdiction under the terms of the Public Utilities Act, and is not intended as an approval of said mortgage as to such other legal requirements to which said mortgage may be subject.

3. Murrietta Valley Elevator Company will keep such record of the issue and sale of the note herein authorized and of the disposition of the proceeds as will enable it to file on or before the twenty-fifth day of each month a verified report as required by the Railroad Commis-



sion's General Order No. 24, which order, in so far as applicable, is made a part of this order.

4. The authority herein granted will not become effective until applicant has paid the fee prescribed in the Public Utilities Act.

5. The authority herein granted will apply only to such note as may be issued and to such mortgage as may be executed on or before June 1, 1920.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this eleventh day of February, 1920.

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#### DECISION No. 7114.

IN THE MATTER OF THE APPLICATION OF THE RODEO-VALLEJO FERRY COMPANY, A CORPORATION, FOR AUTHORITY TO INCREASE CHARGE FOR CARRYING PASSENGER AUTOMOBILES BETWEEN RODEO AND VALLEJO.

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Application No. 5089.

Decided February 11, 1920.

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**FREIGHT RATES—SERVICE IMPROVEMENTS—COST OF.**—The Railroad Commission will not authorize a public utility transportation company which is already earning in excess of 12 per cent on its investment to increase its rates for the purpose of obtaining funds to improve service. If improvements are made a reasonable return will be allowed upon such expenditures, but a utility can not expect to obtain needed capital through rates.

**FEDERAL CONTROLLED LINES—RATES OF—COMPARISONS.**—A common carrier not under federal control will not be permitted to increase its rates solely because rates for similar service on federal controlled lines are higher, when it is conclusively shown that it is earning a reasonable return under its present schedules.

*Peter tum Suden*, for Applicant.

*John S. Partridge*, for Martinez-Benicia Ferry and Transportation Company.

*Henry A. Jacobs*, for Richmond and San Rafael Ferry and Transportation Company.

*LOVELAND*, Commissioner.

#### OPINION.

In this application the Rodeo-Vallejo Ferry Company seeks authority to increase from 75 to 94 cents the rate for transporting passenger automobiles between Rodeo and Vallejo.

The reasons given in the application for desiring to make the increase is that since the rate was first established operating expenses have advanced; also that the rate of 94 cents would place applicant's charge on the same basis as that of the federal controlled lines having

ferry systems across San Francisco Bay. At the hearing, as a further justification, it was claimed that the facilities should be enlarged to properly accommodate the traveling public and that new capital could not be secured unless there was an assurance of an increase in rates.

The assets of the company on September 1, 1919, as set forth in an exhibit, totalled \$234,778.42. This valuation was not checked by the Commission, for the reason that an exact appraisal of the property is not necessary in reaching a conclusion in this proceeding.

The financial condition of the company is now very favorable. Statements presented at the hearing indicate that after allowance for depreciation and all other expenses, the net results on the property devoted to the public service in the year 1919 approximated 12 per cent. The granting of this application without a betterment of the service would permit net returns estimated between 15 and 20 per cent.

The present proceeding presents precisely the same situation as that existing in connection with the Richmond and San Rafael Ferry and Transportation Company, Application No. 5174, decided today, in which the following language is employed:

The service of applicant is good, considering its facilities. The increase of such facilities will, according to testimony of applicant, probably result in largely increased business, and while, as before stated, the Commission desires to be helpful in furnishing the public with adequate service, it can not advance the rates of a company which is admittedly doing a profitable business to aid such company in financing further capital expenditures. The record of this Commission should satisfy applicant that if further additions to capital are made, a request that the Commission adjust applicant's rates to a compensatory basis based upon such additions to capital, after a thorough investigation of results flowing from added facilities by the investment of such additional capital, will receive careful consideration.

For the same reasons as set forth in Application No. 5174, I recommend that this application be denied without prejudice, and submit the following form of order:

#### ORDER.

A public hearing having been held in the above entitled proceeding, testimony having been presented, the case having been submitted for decision, and the Railroad Commission basing its conclusions on the statement of facts which appears in the opinion preceding this order;

*It is hereby ordered*, that the application be denied without prejudice.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this eleventh day of February, 1920.

## DECISION No. 7115.

IN THE MATTER OF THE APPLICATION OF RICHMOND AND SAN RAFAEL FERRY AND TRANSPORTATION COMPANY FOR AUTHORITY TO INCREASE THE CHARGE FOR CARRYING AUTOMOBILES BETWEEN RICHMOND AND POINT SAN QUENTIN.

Application No. 5174.

Decided February 11, 1920.

**FEDERAL CONTROLLED LINES—RATES OF—COMPARISONS.**—The rates of federal controlled lines are not established by this Commission nor can it pass upon the reasonableness of such rates, and comparisons with rates of federal controlled utilities for a similar service is not considered a sound basis for readjusting rates of other carriers when it shown that they are, at the time, earning a reasonable return on their investments.

**SERVICE—IMPROVEMENTS IN—RATE INCREASES FOR.**—The Railroad Commission, while interested in the betterment of service to the public, can not advance rates of a utility which is admittedly doing a profitable business, solely for the purpose of obtaining funds for future capital expenditures. Rates will be established so as to provide a return on capital investments, but they can not be increased to the extent that they will also provide needed capital.

Application to increase rate for transportation of automobiles from 75 cents to 94 cents denied.

*Henry A. Jacobs*, for Applicant.

*LOVELAND*, Commissioner.

**OPINION.**

Applicant asks the Commission for authority to increase its rates for the transportation of passenger automobiles and one-ton freight trucks between the cities of Richmond, in Contra Costa County, and Point San Quentin, in Marin County, from 75 cents to 94 cents.

The application is apparently based upon two things:

First, that the federal controlled lines have granted this advance, and that the Commission has granted a similar advance to the Martinez-Benicia Ferry Company.

Second, that it is unable, with the present equipment, to give the public adequate service, and desires to increase its equipment but can not finance the necessary expenditure without a promise of increased rates.

Applicant filed an exhibit at the hearing, and supported it by testimony, that its total assets are \$126,202.73. This was not checked by the Commission, for the reason that such check was not necessary to decision upon the application.

Applicant admits, and the testimony shows, that upon this claimed investment its rates are amply compensatory. While the Commission is anxious to see that the public is furnished with adequate transportation facilities, it can not admit that either of the grounds mentioned above, upon which this application is based, is sufficient to justify

granting it. The Commission had nothing to do with the fixing of the rate now charged by carriers controlled by the United States Railroad Administration and is, therefore, not prepared to pass upon the reasonableness of that rate or to consider it a reason for granting the present application.

The application of the Martinez-Benicia Ferry Company to advance its rate from 75 cents to 94 cents was granted after a full and complete showing by that company that the rates theretofore charged were not now compensatory.

The service of applicant is good, considering its facilities. The increase of such facilities will, according to testimony of applicant, probably result in largely increased business, and while, as before stated, the Commission desires to be helpful in furnishing the public with adequate service, it can not advance the rates of a company which is admittedly doing a profitable business to aid such company in financing further capital expenditures. The record of this Commission should satisfy applicant that if further additions to capital are made, a request that the Commission adjust applicant's rates to a compensatory basis based upon such additions to capital, after a thorough investigation of results flowing from added facilities by the investment of such additional capital, will receive careful consideration.

I recommend that the application be denied, without prejudice, and submit the following form of order:

**ORDER.**

A public hearing having been held in the above entitled proceeding, testimony having been presented, the case having been submitted for decision, and the Railroad Commission basing its conclusions on the statement of facts which appears in the opinion preceding this order;

*It is hereby ordered*, that the application be denied, without prejudice.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this eleventh day of February, 1920.

## DECISION No. 7117.

## IN THE MATTER OF THE APPLICATION OF DOS PALOS TELEPHONE COMPANY, A CORPORATION, FOR AUTHORITY TO INCREASE RATES FOR TELEPHONE SERVICE.

Application No. 5136.

Decided February 11, 1920.

*E. W. Heston, for Applicant.**BRUNDIGE, Commissioner.***OPINION.**

Dos Palos Telephone Company, petitioner in this proceeding, operates a small telephone system in the town of Dos Palos and adjacent territory in Merced County. In this application the authority of this Commission is asked to increase the present rates and to place in effect certain charges for installing and moving telephones differing from the charges heretofore in effect.

The rates at present in effect are as follows:

One-party business, wall or desk set.....	\$1 75
Two-party business, wall or desk set.....	1 50
Business extension, wall or desk set.....	75
One-party residence, wall or desk set.....	1 75
Two-party residence, wall or desk set.....	1 50
Four-party residence, wall or desk set.....	1 50
Suburban residence, wall or desk set.....	1 25
Residence extension, wall or desk set.....	75

The rates and the installation charges which petitioner proposes to place in effect, with the Commission's authorization, are as follows:

<b>Business Service.</b>		Wall set	Desk set
One-party line .....		\$2 75	\$3 00
Two-party line .....		2 50	2 75
Extension sets .....		75	1 00
<b>Residence Service.</b>			
One-party line .....		2 50	2 75
Two-party line .....		2 00	2 25
Four-party line .....		1 50	1 75
Suburban .....		1 50	1 75
Extension sets .....		75	1 00
<b>Installation and Moving Charges.</b>			
Installation charge .....			3 50
Moving charge .....			3 00
Change of name .....			1 50

Attached to this application is an inventory and appraisal of this property, showing a total original investment as of December 31, 1918, of \$7,520.18, less accrued depreciation \$825, net investment \$6,695.18. Income and fixed capital account statements, 1914 to 1918, inclusive.

are also attached, showing yearly net income and investment as follows:

	Income	Investment
1914 -----	\$473 96	\$6,590 65
1915 -----	727 62	7,061 15
1916 -----	506 28	7,131 78
1917 -----	365 89	7,438 18
1918 -----	559 06	7,520 18

The application also shows that dividends have been paid during the same five-year period on 5503 shares of stock as follows:

1914, 8 per cent -----	\$440 24
1915, 8 per cent -----	440 24
1916, 8 per cent -----	440 24
1917, 4½ per cent -----	255 17
1918, 4½ per cent -----	247 53
	<hr/>
	\$1,823 42

A hearing was held in Dos Palos on December 9, 1919, and the matter submitted.

The Commission's engineers have not made an inventory and appraisal of this property, but the inventory and appraisal which was presented by the petitioner has been carefully checked and petitioner's valuation figures are accepted as reasonable for the purposes of this proceeding. Since December 31, 1918, additions and betterments to plant have been made, making the total original investment and the total net investment to date \$8,129.22 and \$7,304.22, respectively.

A statement of actual receipts and expenditures from January 1 to October 31, 1919, has also been taken from the company's books and carefully checked by the Commission's engineers. By taking this statement as a basis and estimating receipts and disbursements for November and December, it is shown that the net income for the entire year will amount to approximately \$980. This will represent a net return of 12.06 per cent on an investment of \$8,129 or 13.43 on \$7,304.

There is now issued and outstanding a total of 5503 shares of common stock sold at par value, \$1 per share, the proceeds from which were invested in plant. The difference between this amount and the total investment, amounting to \$8,129.22, or \$2,626.22, has been invested out of the earnings of the company. There has been paid out in dividends a total of \$1,823.42 and, according to the company's annual reports on file with the Railroad Commission, there is a present surplus of approximately \$786. Thus, since its organization in 1909, in addition to paying operating expenses, this company has earned, on an average, approximately \$525 per year. However, its operating expenses previous to the year 1914 included nothing for depreciation other than has been included in ordinary maintenance charges, and

since that time the total amount of accrued depreciation which has been set aside is only \$825.

Included in the statement of actual receipts and expenses for the year 1919, above referred to, are the following items of expense which, for a telephone exchange of the size of this one, are inadequate, under normal operating conditions, to maintain adequate and efficient service:

Salary of lineman-manager-----	\$50 00 per month
Salaries of operators-----	93 00 per month
Depreciation of plant and property-----	125 00 per year

The present lineman, who also serves in the capacity of manager, gives only a portion of his time to the business of the telephone company. There has been little or no complaint against the service, but considerable difficulty has been experienced in obtaining and retaining competent and reliable operators at the salaries now paid these employees. There is now employed one day operator at \$40 per month, one night operator at \$45 per month, and one relief operator at \$8 per month. Continuous twenty-four hour service is provided. Depreciation, \$125 per year, is at the rate of approximately 1.5 per cent on a valuation of \$8,129. This amount is insufficient.

While no criticism of the company's management or of the service is offered, it is my opinion that such additional allowance to present operating expenses as may be necessary to enable the company to employ a lineman and manager who will give his entire time, if required, to the company's business (assuming that this combination of duties is desirable), and to employ competent operators, should be made. The Commission's engineers have estimated that a total present allowance of \$100 per month for lineman-manager's salary, \$113 per month for operators' salaries, and \$324 per year for depreciation, the latter based upon 4 per cent of the value of the depreciable property, will be reasonable and proper in this case. I agree that these allowances should be made.

In order to meet the increased operating costs herein provided for, amounting to \$1,039 per year, it will be necessary to provide additional revenues. For this purpose, it is my opinion that just and reasonable rates will be those set forth in the schedule following. As to installation charges, I see no reason at this time why the rules and regulations on file with the Railroad Commission and in effect prior to federal control, and which are ordered restored in General Order No. 57 of the Commission, should not be continued.

Based upon petitioner's present connected subscribers' stations for exchange service revenues, and upon actual toll receipts during the year 1919 for toll service revenues, the rates herein provided for will produce a net income of approximately \$1,030 per year. This will

represent a return of approximately 12½ per cent on a valuation of \$8,130, or approximately 14 per cent on a valuation of \$7,300.

I suggest the adoption of the following schedule of rates, subject to the conditions referred to in the following order:

Business Service.		Wall set	Desk set
One-party line -----		\$2 50	\$2 75
Two-party line -----		2 00	2 25
Extension sets -----		1 00	1 00
Residence Service.			
One-party line -----		2 00	2 25
Two-party line -----		1 75	2 00
Four-party line -----		1 50	1 75
Suburban -----		1 75	2 00
Extension sets -----		75	1 00

Moving telephone sets from one location to another on same premises, \$3.00.

The following order is recommended:

#### ORDER.

Dos Palos Telephone Company having filed with the Railroad Commission its application for an order authorizing an increase in rates, a hearing having been held, the matter having been submitted and the Commission, basing its conclusions on the foregoing opinion, finding as a fact that the rates authorized are just and reasonable rates;

*It is hereby ordered*, as follows, subject to the conditions appearing hereafter:

(1) Dos Palos Telephone Company is hereby authorized to establish and file with the Railroad Commission within thirty (30) days of the date of this order, the schedule of rates set forth in the opinion preceding this order.

(2) Adequate and efficient telephone service shall be rendered for all classes of service at all times.

(3) A depreciation reserve of \$324 per year, in equal monthly installments, shall be set aside in a special fund for the purpose of maintaining the plant in good condition and shall be used for such purpose only, or as may be authorized by the Commission.

(4) The rules and regulations which are provided for in the Commission's Decision No. 2879 and filed thereunder and heretofore in effect shall be continued until the further order of this Commission.

The foregoing opinion and order is hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this eleventh day of February, 1920.



## . DECISION No. 7118.

IN THE MATTER OF THE APPLICATION OF AMERICAN WAREHOUSE COMPANY, LOS ANGELES WAREHOUSE COMPANY, PACIFIC COMMERCIAL WAREHOUSE COMPANY, SHATTUCK AND NIMMO WAREHOUSE COMPANY, SANTA FE WAREHOUSE COMPANY, AND UNION TERMINAL WAREHOUSE COMPANY, TO INCREASE RATES.

Application No. 5196.

Decided February 11, 1920.

BRUNDIGE, *Commissioner*.

**OPINION.**

This is an application under the provisions of section 83 of the Public Utilities Act and Rule No. 7 of this Commission's General Order No. 61, by the American Warehouse Company, Los Angeles Warehouse Company, Pacific Commercial Warehouse Company, Santa Fe Warehouse Company, Shattuck and Nimmo Warehouse Company, and Union Terminal Warehouse Company, for authority to increase by 50 per cent all labor charges, both general and special, now carried in Warehouse Tariff C. R. C. No. 2 of the different companies. All the applicants are engaged in the general warehouse, storage and forwarding business and, in addition, are employed in other activities more or less connected with the warehouse business. The labor handling charges now assessed approximate 25 cents per ton; the rates proposed will bring the general average to 37½ cents per ton.

In justification for the advances the application alleges that since April 5, 1919, the date rates now being assessed were made effective, wages of day laborers have increased 37½ per cent and their efficiency decreased 12½ per cent.

A hearing was held in Los Angeles December 30, 1919. The testimony of all the witnesses was mainly to the effect that operating costs have materially advanced during the past year and that experience has proven the labor handling charges to be unremunerative. Tests had been made to cover short periods of time, showing expenses and revenues for handling specified commodities at several of the warehouses, and while these tests demonstrated, as to the particular commodity handled, that the cost of labor was greater than the labor handling charges collected, they were not sufficiently complete to positively demonstrate the actual financial results if continued over a long period of time.

Under date March 22, 1919, Decision No. 6209, in Applications Nos. 4331 to 4336, inclusive (Opinions and Orders of the Railroad Commission of California, Vol. 16, p. 577), these applicants were authorized

to republish their warehouse tariffs, making them more comprehensive, segregating the commodities into classes, revising the storage rates and making separate charges for the labor services as distinguished from other warehouse charges. In Decision No. 6209, *supra*, the Commission said:

The testimony shows that warehouse employees who in 1916 were paid \$2.25 for nine hours' work now receive \$3.50 for an eight-hour day and from \$4 to \$4.50 for a nine-hour day. In other cases the hourly wage of 20 to 25 cents paid in 1916 has been advanced 40 to 50 cents—a total increase of 100 per cent. The comparative inefficiency of warehouse labor obtainable in 1918 is, also, according to the testimony, an indisputable fact. Other operating expenses, such as elevator inspection, compensation insurance, light and power, and repair materials, have increased to an unusual figure, the price of certain essential warehouse equipment having almost doubled. Although the volume of warehouse business in Los Angeles for the year ending December 31, 1918, was admittedly greater than ever before, it was obviously abnormal and may not be safely depended upon for the future; the increased cost of operating, however, will not subside abruptly, if at all.

The testimony in the instant proceeding differed but little from that given in the former, and while operating costs have increased to some extent at certain of the warehouses, no compelling proof was offered that there had been a general increase since the decision was rendered March 22, 1919. The contention is made that the rates established for labor as distinguished from the rates for storage were not carefully analyzed and were made much lower than the conditions justified. Attorney for applicants entered the statement that a careful study was now being made of all the rates, charges and practices of the Los Angeles warehouse companies and that within the very near future applications would be presented for further readjustments wherever found necessary, including a complete revision of the labor handling charges.

As heretofore stated, the present labor handling charge is 25 cents per ton, and while the testimony and exhibits presented to the Commission in this proceeding did not positively demonstrate what would be the correct rate for the services under discussion, it has been clearly proven that 25 cents per ton is below the actual cost of the labor without taking into consideration overhead expenses connected therewith, such as salaries of superintendents, cost of equipment and supplies, and is much lower than rates for similar charges at other places.

After giving careful consideration to all of the testimony, I am of the opinion that the labor handling rates of approximately 25 cents per ton now being assessed by these applicants is unremunerative and that rates based on  $37\frac{1}{2}$  cents per ton are just and reasonable. The application should be granted and I submit the following form of order:

**ORDER.**

American Warehouse Company, Los Angeles Warehouse Company, Pacific Commercial Warehouse Company, Shattuck and Nimmo Warehouse Company, Santa Fe Warehouse Company, and Union Terminal Warehouse Company, having applied to the Railroad Commission for authority to increase by 50 per cent the labor handling rates now published in Warehouse Tariff C. R. C. No. 2 of the different applicants, a public hearing having been held, the matter having been submitted and being now ready for decision, the Railroad Commission finds as a fact that the labor handling rates now in effect at the various warehouses involved in this proceeding are unremunerative, unjust and unreasonable and that rates 50 per cent higher than those now in effect are just and reasonable for the service.

Basing its order on the foregoing finding of fact contained in the opinion preceding this order;

*It is hereby ordered*, that the American Warehouse Company, Los Angeles Warehouse Company, Pacific Commercial Warehouse Company, Shattuck and Nimmo Warehouse Company, Santa Fe Warehouse Company, and Union Terminal Warehouse Company, be and they are hereby authorized to publish and file with the Railroad Commission not later than twenty (20) days from the date hereof the rates herein found to be just and reasonable.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this eleventh day of February, 1920.

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**DECISION No. 7123.**

IN THE MATTER OF THE APPLICATION OF SOUTHERN CALIFORNIA EDISON COMPANY, A CORPORATION, FOR AN ORDER OF THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA AUTHORIZING IT TO ISSUE, SELL AND DELIVER TWENTY-FIVE THOUSAND SHARES OF ITS COMMON CAPITAL STOCK OF THE PAR VALUE OF ONE HUNDRED DOLLARS EACH.

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Application No. 4790.

Decided February 13, 1920.

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BY THE COMMISSION.

**FOURTH SUPPLEMENTAL ORDER.**

Whereas, the Railroad Commission by Decision No. 6544, dated August 7, 1919, authorized Southern California Edison Company to

issue 25,000 shares of its capital stock to its stockholders and the public at not less than \$90 per share; and

Whereas, the Railroad Commission by supplemental orders made from time to time in this proceeding authorized Southern California Edison Company to sell 7202 shares of said 25,000 shares of stock to employees; and

Whereas, Southern California Edison Company reports that practically all of said 7202 shares have been sold and that it, therefore, asks permission to sell 3000 additional shares of said 25,000 shares of stock covered by Decision No. 6544, dated August 7, 1919, and it appearing to the Railroad Commission that applicant's request should be granted; now, therefore,

*It is ordered*, that Southern California Edison Company be, and it is hereby, authorized to sell to its employees 3,000 shares of stock, the issue of which was authorized by Decision No. 6544, dated August 7, 1919, and referred to in the fourth supplemental petition herein, said 3000 shares of stock to be sold for not less than \$90 per share and in accordance with the terms of the agreement attached to the first supplemental petition in Application No. 4790 and marked Exhibit "A"; provided, that any part of said 3000 shares which applicant is unable to sell to its employees, as herein authorized, may be sold to the public upon the terms set forth in Decision No. 6544, dated August 7, 1919.

*It is hereby further ordered*, that the order in Decision No. 6544, dated August 7, 1919, as amended, shall remain in full force and effect, except as modified by this fourth supplemental order.

Dated at San Francisco, California, this thirteenth day of February, 1920.

## DECISION No. 7129.

IN THE MATTER OF THE APPLICATION OF SPRING VALLEY WATER COMPANY, A CORPORATION, FOR AUTHORIZATION TO ISSUE PROMISSORY NOTES, TO EXECUTE A COLLATERAL TRUST AGREEMENT, AND TO PLEDGE BONDS THEREUNDER TO SECURE SAID NOTES.

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Application No. 5304.

Decided February 13, 1920.

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**BONDS, PLEDGED AS SECURITY FOR NOTES—AMOUNT ALLOWED FOR.**—The Commission authorizes applicant to execute a collateral trust agreement which provides for the pledging of sufficient bonds to secure notes that will make such notes legal investments for savings banks; such approval, however, is given with the understanding that the Commission in no way commits itself to authorize the pledging of more than \$3,250,000 face value of bonds to secure \$2,500,000 of notes which applicant is herein authorized to issue.

*F. P. Muhler*, for Applicant.

*LOVELAND*, Commissioner.

**OPINION.**

Spring Valley Water Company asks permission to execute a collateral trust agreement to secure the payment of \$2,500,000 of three-year 6 per cent notes due March 1, 1923, issue and sell said notes for not less than 99 per cent of their face value and accrued interest, and issue and pledge \$3,250,000 of its general mortgage 4 per cent bonds due December 1, 1923, to secure the payment of the notes.

Applicant reports that it has issued \$3,600,000 of two-year 6 per cent notes due March 1, 1920, under the authority granted in Decision No. 5127, dated February 11, 1918 (Vol. 15, Opinions and Orders of the Railroad Commission of California, page 247). It is for the purpose of paying in part the \$3,600,000 of notes that applicant asks permission to issue and sell at this time \$2,500,000 of notes. Applicant reports that the remainder of the money necessary to pay the outstanding notes will be obtained through the sale of securities held as investments.

Attached to the application and marked "Exhibit A" is a copy of the proposed collateral trust agreement under which the \$2,500,000 of notes are to be issued. In this agreement the company covenants that it will at all times keep on deposit with the trustee such an amount of its general mortgage 4 per cent bonds as will permit the Superintendent of Banks of California to declare the notes legal investment for savings banks. The \$3,250,000 of bonds which applicant asks permission to pledge forthwith is more than sufficient to have the notes declared legal investments for savings banks in so far as the market price of the bonds is a determining factor, but some margin should be allowed to cover a possible decline in the market price of applicant's

bonds. While I am willing to recommend that applicant be permitted to execute a collateral trust agreement substantially in the same form as that filed in this proceeding, it should be understood that the approval of such recommendation by the Commission in no way commits the Commission to authorize the issue of more than \$3,250,000 of bonds as security for the payment of the \$2,500,000 of notes. If it should become necessary to deposit additional collateral, the matter of issuing bonds for that purpose will have to be taken up in a subsequent proceeding.

I herewith submit the following form of order:

**ORDER.**

Spring Valley Water Company, having applied to the Railroad Commission to execute a collateral trust agreement, to issue notes and bonds; a public hearing having been held; and the Railroad Commission being of the opinion that the money which applicant intends to obtain through the issue of the notes and bonds is reasonably required for the purpose herein stated, and that the expenditures for such purpose are not in whole or in part reasonably chargeable to operating expenses or to income;

*It is hereby ordered*, that the Spring Valley Water Company be and it is hereby authorized to execute a collateral trust agreement, substantially in the same form as the collateral trust agreement attached to the petition herein and marked "Exhibit A."

*It is hereby further ordered*, that Spring Valley Water Company be and it is hereby authorized to issue the \$2,500,000 of three-year 6 per cent notes due March 1, 1923, referred to in said collateral trust agreement, and to issue and pledge as security for the payment of said notes \$3,250,000 of its general mortgage 4 per cent bonds.

The authority herein granted is upon the following conditions and not otherwise:

1. The notes herein authorized to be issued shall be sold by applicant for not less than 99 per cent of their face value plus accrued interest, and the proceeds used to pay in part the \$3,600,000 of applicant's two-year 6 per cent notes due March 1, 1920, and referred to in the petition herein.

2. When all or any part of the notes herein authorized are paid, all or a proper proportion of the bonds pledged as collateral shall be returned to applicant's treasury, and thereafter issued by applicant only as authorized by the Commission.

3. The approval herein given of said collateral trust agreement is for the purpose of this proceeding only, and an approval in so far as this Commission has jurisdiction under the terms of the Public Utilities

Act, and is not intended as an approval of said collateral trust agreement as to such other legal requirements to which said collateral trust agreement may be subject.

4. The authority herein granted to execute a collateral trust agreement shall not be interpreted as authorizing the issue and deposit of bonds in excess of \$3,250,000, it being understood that if it should become necessary to deposit additional bonds under the terms of said collateral trust agreement, the matter of issuing and depositing additional bonds will be taken up in a subsequent proceeding.

5. Spring Valley Water Company shall keep such record of the issue of the notes and bonds herein authorized, and of the disposition of the proceeds, as will enable it to file, on or before the twenty-fifth day of each month, a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

6. The authority herein granted will apply only to such collateral trust agreement as may be executed and to such notes and bonds as may be issued on or before June 1, 1920.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this thirteenth day of February, 1920.

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DECISION No. 7130.

IN THE MATTER OF THE APPLICATION OF SOUTHERN CALIFORNIA EDISON COMPANY, A CORPORATION, FOR AN ORDER OF THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA AUTHORIZING IT TO ISSUE, SELL AND DELIVER FIFTY THOUSAND SHARES OF ITS COMMON CAPITAL STOCK OF THE PAR VALUE OF ONE HUNDRED DOLLARS EACH.

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Application No. 5312.

Decided February 13, 1920.

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*Roy V. Reppy*, for Applicant.

EDGERTON, *Commissioner*.

**OPINION.**

Southern California Edison Company asks permission to issue 50,000 shares (\$5,000,000) of its common capital stock.

Applicant asks authority to sell the stock for not less than \$90 per share, except that in case of sale to brokers for resale, it be allowed to

pay a brokerage commission of from \$1 to \$2 per share, depending on the number of shares purchased by the broker.

The stock will be offered to applicant's stockholders pro rata in proportion to the respective holdings of each at \$90 per share, and such stock as may not be taken by stockholders will be offered for sale to others at not less than \$90 per share. All, or any part of the stock, applicant asks permission to sell to its employees upon the terms and conditions specified in employees' subscription agreement, a copy of which is attached to the petition herein and marked Exhibit "B," except that in case of employees whose compensation does not exceed \$100 per month, applicant asks authority to modify the terms of such agreement as was authorized by the Commission in Decision No. 4851, dated November 19, 1917, in Application No. 2743. The granting of this application, in so far as the sale of stock to employees is concerned, will not in any way modify applicant's present policy or the terms and conditions under which it has been recently offering stock for sale to its employees.

Applicant agrees to hold in its treasury all proceeds obtained from the sale of the stock, until the Commission has made a supplemental order or orders herein defining the purposes for which such proceeds may be used.

I herewith submit the following form of order:

#### ORDER.

Southern California Edison Company, having applied to the Railroad Commission for permission to issue 50,000 shares (\$5,000,000) of common capital stock, a public hearing having been held, and the Commission being of the opinion that the money, property or labor to be procured or paid for by such issue will be reasonably required for the purpose or purposes hereafter specified;

*It is hereby ordered*, that Southern California Edison Company be, and it is hereby, authorized to issue 50,000 shares (\$5,000,000) of its common capital stock, upon the following conditions and not otherwise:

1. The stock herein authorized shall be sold by applicant for not less than \$90 per share; provided, however, that on stock sold to brokers for resale, applicant may pay a brokerage commission of from \$1 to \$2 per share, depending upon the amount of shares of stock purchased by said brokers; and provided, further, that any portion of the stock herein authorized may be sold to applicant's employees in accordance with the terms of the subscription agreement attached to the petition herein and marked Exhibit "A," or under the terms and provisions of said agreement as modified by the Commission in Decision No. 4851, dated November 19, 1917, in Application No. 2743.



2. All proceeds obtained from the sale of the stock herein authorized shall be placed and held in applicant's treasury, or in a special fund, and disbursed only for such purposes as the Railroad Commission may authorize in a supplemental order or orders.

3. Southern California Edison Company shall keep such record of the issue and sale of the stock herein authorized, and of the disposition of the proceeds, as will enable it to file on or before the twenty-fifth day of each month a verified report, as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

4. The authority herein granted will apply to such stock as may be issued on or before December 31, 1920.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this thirteenth day of February, 1920.

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DECISION NO. 7134.

IN THE MATTER OF THE APPLICATION OF UNION OIL COMPANY OF CALIFORNIA TO SELL AND SANTA MARIA GAS AND POWER COMPANY TO BUY, CERTAIN GAS DISTRIBUTION SYSTEMS AND BUSINESS IN SANTA BARBARA COUNTY.

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Application No. 5308.

Decided February 13, 1920.

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*Andrews, Toland and Andrews*, for Union Oil Company of California.

*Chickering and Gregory*, by *Allen Chickering*, for Santa Maria Gas and Power Company.

BRUNDIGE, *Commissioner*.

**OPINION.**

Union Oil Company of California, as seller, and Santa Maria Gas and Power Company, as purchaser, apply to the Railroad Commission for authority to transfer certain gas distribution systems and business appurtenant thereto in the town of Orcutt and in the localities known as Sisquoc, Santa Maria Oil Fields and Divide, all in Santa Barbara County. These systems and businesses are now owned and operated by the Union Oil Company of California and the retail sale of natural gas to the consumers thereof is regarded as incidental to the business of the Union Oil Company. A hearing was held in San Francisco on February 9, 1920.

Santa Maria Gas and Power Company is generally engaged in the transmission and distribution of natural gas in this and other territory

and is situated so that it can conveniently operate said gas systems in a profitable manner. The proposed transfer involves a nominal consideration of \$1, although it is evident that a substantial value accrues to the systems and business. The purpose of the Union Oil Company is to divest itself of all operations of a public utility character. It reserves, however, the service to its own employees and that used in its own operations upon its own property. Santa Maria Gas and Power Company is ready and willing to take over the systems and business, to make such improvements thereto as shall be necessary, and to assume the obligation of service to parties now being supplied. The purchaser herein has franchise rights in Santa Barbara County covering the service in the localities mentioned.

In becoming a party hereto Union Oil Company expressly disclaims any purpose or intention of being or becoming a public utility or of having been such, and in so doing its only purpose is to facilitate the acquisition of these properties by the Santa Maria Gas and Power Company. For the purpose of this proceeding it is not necessary to pass upon the question of the public utility status of the gas operations of the Union Oil Company.

In the town of Orcutt there are approximately 100 gas consumers to be acquired. In the localities known as Sisquoc, Divide and Santa Maria Oil Fields there are between 20 and 30 such consumers. Arrangements have been perfected so that the Union Oil Company will continue to supply gas at wholesale to the Santa Maria Company at these several points, and the parties have agreed upon the following wholesale prices for gas so delivered:

For gas delivered at Sisquoc.....	20 cents per thousand
For gas delivered at Divide and Santa Maria Oil Fields.....	10 cents per thousand
For gas delivered to Orcutt.....	14 cents per thousand

Santa Maria Gas and Power Company proposes to rehabilitate the distribution systems to be thus acquired, to install such additions and betterments as may be necessary, and meters for the measurement of consumers' gas.

If the authority herein be granted, Santa Maria Gas and Power Company asks authority to put in effect the following rates:

In Orcutt its standard rate of \$1 per thousand cubic feet;  
 In Sisquoc, Divide and Santa Maria Oil Fields a rate of \$1.25 per thousand cubic feet;

the latter rate on account of the higher expenses and comparatively small extent of the service supplied to these three localities.

I recommend that the Commission give its approval to the transfer of these gas systems and business and their subsequent acquirement and operation by the Santa Maria Gas and Power Company under the conditions set forth above, and submit herewith the following form of order:

**ORDER.**

Union Oil Company of California applying to the Railroad Commission of the State of California to sell, and Santa Maria Gas and Power Company to purchase, gas distribution systems in the town of Orcutt and in the localities known as Sisquoc, Divide and Santa Maria Oil Fields, a hearing having been held, and the matter now awaiting decision, and the Railroad Commission approving the proposed transfer and the conditions of subsequent operation by the Santa Maria Gas and Power Company;

*It is hereby ordered*, that Santa Maria Gas and Power Company be and it is hereby authorized to purchase from Union Oil Company of California, for the consideration of \$1, those certain gas distribution systems and business appurtenant thereto in the town of Orcutt and in the localities known as Sisquoc, Divide and Santa Maria Oil Fields.

*It is hereby further ordered*, that the Santa Maria Gas and Power Company be and it is hereby authorized to charge and collect for gas sold in the town of Orcutt the rates set forth in its Schedule No. 1, now on file with the Railroad Commission, and to charge and collect for gas service in the localities known as Sisquoc, Divide and Santa Maria Oil Fields a rate of \$1.25 per thousand cubic feet of gas sold, with a minimum charge of \$1 per meter per month. Said rate shall be effective from and after the installation of meters in said localities by Santa Maria Gas and Power Company, and upon the filing with the Railroad Commission of rate schedules setting forth these rates.

The foregoing opinion and order is hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this thirteenth day of February, 1920.

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**DECISION No. 7135.**

IN THE MATTER OF THE APPLICATION OF ANDERSON WATER COMPANY FOR AN ORDER AUTHORIZING AN INCREASE IN WATER RATES.

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Application No. 4459.

Decided February 13, 1920.

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*F. A. Cody*, for Applicant.

BY THE COMMISSION.

**OPINION.**

The above entitled matter is an application brought by Anderson Water Company, a public utility engaged in the business of supplying

water for domestic uses in and for the vicinity of Anderson, Shasta County, California, for authority to increase its rates. The application alleges that the rates at present in effect, which rates were established by this Commission in its Decision No. 4585, issued August 29, 1917, *In the matter of the application of Anderson Water Company for an order authorizing it to install meters and fixing the rates for meter service* (Application No. 2858, Vol. 13, p. 787, Opinions and Orders of the Railroad Commission), do not produce a sufficient revenue to pay operating expenses, and asks that this Commission now establish a rate sufficient to pay expenses and provide a reasonable return on its investment.

A public hearing was held in this matter, at which it was stipulated that the evidence submitted in the previous proceeding, referred to above, be considered in evidence.

A field investigation of the properties of Anderson Water Company was recently made by H. A. Noble, one of the Commission's hydraulic engineers. His report shows that immediate repairs of the pump pit are necessary and that the reservoir will have to be cement lined and covered by order of the State Board of Health, and also that much of the pipe lines and mains should be renewed, having reached a condition where the cost of repair is excessive.

The evidence shows that this utility has been confronted during the past year with a large curtailment in the use of water. A number of consumers who heretofore obtained their supply from this system now take water from the recently constructed Anderson-Cottonwood Irrigation District ditch for the irrigation of their gardens and grounds, others have bored private wells, and in addition to this the oiling of the streets has made sprinkling unnecessary. In 1917 the average number of consumers was 152, and in 1919 the active consumers decreased to 121, of which 69 are on a flat rate schedule and 52 have metered service.

The Commission's engineer estimates the cost new of the system as \$24,700 and the 6 per cent sinking fund annuity \$277. Based upon the evidence submitted and a detailed analysis of the book accounts, it is estimated that \$3,200 for maintenance and operation is a reasonable amount to be included in the annual charges.

The revenue produced by the existing rates totaled, for the year 1917, \$4,573.38, and for the year 1918, \$4,001.15. On December 31, 1918, the accounts uncollected totaled \$117.66.

From the above figures it is apparent that applicant is entitled to an increase in rates. The schedule of rates set forth in the accompanying order is designed to produce a sufficient revenue to return to applicant the expense of operation, depreciation, and a reasonable allowance for interest on investment.

It is impossible to establish a schedule of unmeasured rates whereby the burden of maintaining a plant of this character is equitably distributed among the various consumers in proportion to their use of water. The benefit to be derived from a metered system is not only an equitable distribution of the charges but is also a means whereby the water supply can be conserved, good service rendered and operating expenses reduced. In order that this company may be operated more efficiently it is recommended that applicant proceed with some systematic program for metering its entire system.

#### ORDER.

Anderson Water Company having applied to this Commission for an order authorizing it to increase its rates, a public hearing having been held, and the Commission being fully apprised in the premises;

It is hereby found as a fact, that the present rate schedule of Anderson Water Company, in so far as it differs from the rate schedule herein set out, is unjust and unreasonable, and that the rate schedule herein established is just and reasonable, and basing its order on the foregoing finding of fact and upon the further statements of fact contained in the opinion which precedes this order;

*It is hereby ordered*, that Anderson Water Company be and it is hereby authorized to file with the Railroad Commission within twenty (20) days from the date of this order, and thereafter charge the following rates for water served to its consumers:

#### RATE SCHEDULE.

##### *Measured Rates.*

##### 1. Minimum monthly payments.

5-inch and 7-inch meter	\$1 40
1-inch meter	2 50
1½-inch meter	3 00
2-inch meter	3 50

##### 2. Quantity rates per 100 cubic feet.

For use between 0 and 400 cubic feet, per month	35 cents
For use between 400 and 2400 cubic feet, per month	20 cents
For use of 2400 cubic feet, per month	15 cents

All meters to be installed by Anderson Water Company at its own expense and at option of the consumers or the company. When a meter is installed at the request of a consumer, a deposit may be required, such deposit to be returned to the consumer as a credit on monthly water bills at the rate of one-tenth of the deposit per month. The following deposits may be required:

For 5-inch meter	\$14 00
For 7-inch meter	18 00
For 1-inch meter	23 00
For 1½-inch meter	40 00
For 2-inch meter	68 00

*Monthly Flat Rates.*

1. Residences and tenements of four rooms or less occupied by a single family-----	\$1 60
For each additional room-----	10
Additional for each flush toilet or bathtub-----	25
For each private garage where autos are washed on the premises-----	25
For each private barn—not more than two horses or cows-----	30
For each additional horse or cow-----	20
2. Private boarding houses—for each roomer or boarder in addition to the family-----	20
3. Irrigation of gardens and grounds, payable every month in the year, per 100 square feet-----	06
4. Livery stables and stockyards, per average number of stock fed, each-----	30
Minimum payment-----	1 50
5. Barber shops, for single chair-----	1 40
For each additional chair-----	25
6. Bakeries, in addition to store rate, for each barrel of flour used	06
7. Soda fountains and ice cream or lunch parlors, either above or in connection with other business-----	1 50 to \$4 00
8. Wagon and blacksmith shops-----	1 50 to 3 00
9. Public garages, average 6 autos or less-----	3 00
For each additional auto-----	50
10. Photograph galleries or where water is used for photo printing and developing, in addition to the store rate-----	1 50
11. For small stores or shops, not otherwise listed, according to use of water-----	1 00 to 2 00
12. For large stores or shops, not otherwise listed, according to use of water-----	2 00 to 5 00
13. Additional for each bathtub and flush toilet or urinal in 4 to 12, inclusive-----	50
14. Living rooms in connection with stores or shops, additional to store rate-----	1 00
15. For use of hose in front of stores or shops for washing windows and sprinkling sidewalks and roadway, according to frontage-----	25 to 1 25
16. Bathing establishments, either alone or in connection with barber shops, for one public bathtub-----	1 50
For each additional bathtub-----	75
17. Water for building and construction purposes:	
For mortar or to dampen brick, per 1000 bricks-----	20
For cement work and plastering, each barrel of cement or lime used-----	20
Use for any other construction work, per 100 cubic feet-----	20
18. Water for all purposes or establishments not specified in above schedule, charged for at meter rates.	

*Fire Protection.*

For each hydrant especially installed for fire protection or for the individual use of persons, firms or corporations for fire purposes exclusively:

Each 2-inch connection-----	1 50
Each 2½-inch connection-----	2 00

Dated at San Francisco, California, this thirteenth day of February, 1920.

## DECISION No. 7136.

IN THE MATTER OF THE APPLICATION OF ANTELOPE CREEK AND  
RED BLUFF WATER COMPANY FOR RAISE OF RATES.

Application No. 4397.

Decided February 13, 1920.

**JURISDICTION—CONTRACTS—FREE SERVICE TO MUNICIPALITIES.**—The Railroad Commission has jurisdiction to alter or increase rates and to abolish free or reduced rate service established by contract or provided for in franchises granted public utility water companies by county or municipal governments.

**WATER SERVICE—LEAKAGE AND WASTEFULNESS—RESTRICTION OF.**—Applicant, a water utility, is directed to establish rules and regulations designed to restrict or eliminate, as far as possible, losses through leaky house fixtures, also to gradually meter its entire system to prevent waste of water, which action will tend to greatly reduce operating expenses, particularly pumping costs.

*Elliott McAllister*, for Applicant.

*McCoy and Gans*, by *H. S. Gans*, for city of Red Bluff.

*M. J. Cheatham*, District Attorney, for county of Tehama.

BY THE COMMISSION.

**OPINION.**

The above entitled matter is an application brought by Antelope Creek and Red Bluff Water Company for authority to adjust and increase its rates charged for water. The application alleges, in effect, that applicant is an incorporated public utility engaged in the business of supplying water for domestic purposes in the city of Red Bluff, Tehama County, California; that the rates in effect at the present time, which were established by city ordinance No. 138 on April 14, 1913, are noncompensatory and do not produce a sum sufficient to meet operating expenses, depreciation and interest on the investment, and, further, that they are discriminatory in favor of the municipality, in that no provision is made for payment by the municipality for fire protection or the use of water in schools and municipal buildings.

A public hearing was held in this matter, of which all interested parties were notified and given an opportunity to appear and be heard. The principal protest to the application was that presented by the city of Red Bluff and by the county of Tehama, they maintaining that their respective rights to free water for municipal buildings, fire hydrant service, and water at a nominal rate for the county court house, should remain unaltered, it being claimed by them that by reason of the provisions of the franchise under which the water company operates, and of a certain contract with Tehama County permitting the laying of a transmission pipe line across the county bridge over the Sacramento River, they were and are entitled to free or reduced rates.

The franchise under which the water company operates is known as ordinance No. 14 of the board of trustees of the town of Red Bluff,

adopted June 16, 1877, and was granted to Antelope Water Company, applicant's predecessor.

The county of Tehama offered in evidence a copy of the original minute order of the board of supervisors granting the Antelope Water Company a right of way along the public highway and over the Sacramento River bridge, the consideration being free water for the court house and grounds, and in 1911 an additional order was issued whereby the county agreed to pay \$5 per month by reason of the increased use of water at the court house.

Applicant points out, however, that the above contentions have been decided adversely, and cites in substantiation section 19, Article II of the Constitution of 1879 and subsequent amendments; *Spring Valley Water Works vs. Board of Supervisors*, 61 Cal. 18; and Decision No. 2502 of this Commission in Case No. 639, *Town of Hollister vs. Hollister Water Company*, decided June 21, 1915, Vol. 7, p. 207, Opinions and Orders Railroad Commission of California.

Attention is called to the fact that the powers of this Commission to regulate and establish rates, despite existing contracts between a public utility and its patrons, is clearly established by the decisions of the higher courts. Further, that a contract or agreement entered into between a municipality and a utility is no different from any other contract.

While in this particular case the contracts may have been proper at the time they were made, it appears that changed conditions of water use have brought about the necessity for a change in the rate for this public use of water.

At the hearing in this proceeding appraisements of the property were submitted by applicant and the Commission's engineers. Those submitted by applicants were prepared by P. E. Harroun, consulting engineer for applicant; W. F. Luning, city engineer of Red Bluff, and Otto von Gelden, consulting engineer. These appraisements were prepared in 1905 for the purpose of arriving at a fair price to be paid by the city of Red Bluff for these properties. The company brought these appraisals to date and arrived at the sum of \$172,239. This should be corrected for pipe replaced, the value of which is not deducted from the sum reported. No record of the proper amount to deduct is available. H. A. Noble, one of the hydraulic engineers of the Commission, submitted an estimate of the cost new of these properties totaling \$135,707, which includes actual cost of water rights. He also submitted an estimated replacement fund of \$1,205, computed by the sinking fund method.

After a careful consideration of all of the evidence submitted, it appears that the total of the appraisal submitted by the Commis-



sion's engineer is a fair sum upon which the interest return be computed for the purpose of this proceeding.

The auditing department of the Commission investigated the records of the company, and reported that the sum of \$10,964.57 was expended during 1918 for operation and that a gross revenue of \$19,070.82 was received by the company. The Commission's engineer carefully investigated the operating expenses and reports that in his opinion the fair cost of operation will be \$10,500.

Summarizing these annual charges, it is found that the rate schedule should annually produce the sum of \$22,562. It is apparent that the rate schedule heretofore in effect has not produced this sum and that the rates should be increased.

The evidence shows that there is an extravagant use of water in this community, and it is apparent that there is much waste and leakage. The unrestricted use and waste obtaining under a flat rate schedule accounts for the excessive use and results in a large pumping cost annually. We recommend that this utility adopt and put into effect suitable rules and regulations designed to eliminate the waste through leaky house fixtures, and further that some plan be inaugurated for a gradual and systematic metering of the entire system. This Commission has stated many times that a measured schedule of rates is the only method by which each consumer bears his proper portion of the expense and that the benefit derived is not only an equitable distribution of the charges, but also conservation of water supply, improved service, and a reduction of operating costs.

#### ORDER.

Antelope Creek and Red Bluff Water Company having applied to this Commission for an order authorizing it to increase its rates, a public hearing having been held, and the Commission being fully apprised in the premises;

It is hereby found as a fact, that the present rate schedule of Antelope Creek and Red Bluff Water Company, in so far as it differs from the rate schedule herein set out, is unjust and unreasonable, and that the rate schedule herein established is just and reasonable.

And basing its order on the foregoing finding of fact and upon the further statements of fact contained in the opinion which precedes this order;

*It is hereby ordered*, that Antelope Creek and Red Bluff Water Company be and it is hereby authorized to file with the Railroad Commission within twenty (20) days from the date of this order, and thereafter charge, the following rates for water served to its consumers:

## RATE SCHEDULE.

*Metered Use.*

1. Monthly minimum payments for metered service:	
$\frac{3}{4}$ -inch and $\frac{1}{2}$ -inch services.....	\$1 00
1-inch services .....	1 50
1 $\frac{1}{2}$ -inch services .....	2 00
2-inch services .....	2 50
2 $\frac{1}{2}$ -inch services .....	4 00
3-inch services .....	5 00
2. Monthly quantity rates:	Per 100 cubic feet
For 600 cubic feet or less, per month.....	\$1 00
For use between 600 and 3000 cubic feet.....	14
For use over 3000 cubic feet.....	10

*Public Use.*

1. For fire hydrants owned by city:	Per month
2-inch, each .....	50
4-inch, each .....	75
2. Sprinkling roads and streets by the city or county, measured by the wagon or truck tank capacity, per 100 cubic feet.....	10
3. Automatic sewer flushers, according to measured or computed quantity of water used, per 100 cubic feet.....	10
4. For public buildings and grounds and all other public use of water, by meter measurement, per 100 cubic feet.....	12

## MONTHLY FLAT RATES.

1. Residences and tenements of not more than five rooms, occupied by single families, with not over one bathtub and toilet....	\$1 00
For each additional room.....	10
For each additional bathtub or toilet.....	15
For each private garage where autos are washed on the premises .....	25
For each private barn, not over two horses or cows.....	50
For each additional horse or cow.....	20
2. Private boarding houses, for each boarder, in addition to the family rate .....	10
3. Sprinkling or irrigation of lawns, shrubbery, gardens, etc., payable every month in the year, per 100 square feet.....	06
4. Hotels and lodging houses:	
Dining room .....	1 50 to \$4 00
For each room with water tap.....	20
For each room without water tap.....	10
For each private bathroom.....	25
5. Restaurants and cafes, per unit of seating capacity.....	10
6. Offices, rooms in upper stories of buildings so occupied, for each room except doctors' and dentists' offices.....	50
7. Doctors' and dentists' offices, not exceeding two rooms, with water tap .....	1 50
For each additional room with water tap.....	50
8. Photograph galleries, or where water is used for photograph printing and developing in addition to store rate.....	2 00
9. Bakeries, in addition to the store rate, according to the monthly use of flour, for each barrel used.....	05
10. Drug stores .....	1 50
11. Soda fountains, soft drink counters and ice cream or lunch parlors, either alone or in connection with other business...	1 75
12. Blacksmith and wagon shops where water is used for cooling tires, etc. ....	1 50
13. Livery and sales stables or stockyards, per average number of stock fed.....	20
Minimum payment .....	2 00
14. Public garages, average 6 autos or less.....	3 50
For each additional auto.....	50

## RATE SCHEDULE—Continued.

## . MONTHLY FLAT RATES—Continued.

15. Barber shops, for single chair-----	\$1 25
For each additional chair-----	25
16. For ordinary small stores or shops, not otherwise listed, according to use of water-----	1 00 to 2 00
17. For large stores or shops, not otherwise listed, according to use of water-----	2 00 to 5 00
18. For use of hose in front of stores and shops for washing win- dows and sprinkling sidewalks, etc., according to frontage--	25 to 1 25
19. Living rooms in connection with stores or shops, additional to store rate -----	75
20. Additional for each toilet or bathtub in 5 to 17, inclusive----	25
21. Public toilets in hotels, lodging houses and public places-----	1 50
For each additional toilet-----	1 00
22. Public urinals in hotels, office buildings, or any place, for each bowl where a drain is used, each-----	2 50
With automatic trap flusher, from-----	1 00 to 5 00
23. Bathing establishments, either alone or in connection with barber shops, for one public bathtub-----	1 50
For each additional bathtub-----	75
24. Building work:	
For mortar and to dampen brick, per 1000 bricks-----	15
For cement work and plastering, each barrel of cement or lime used -----	15
25. Water for all purposes or establishments not specified in above schedule, charged for at meter rates.	
26. Meters may be installed at the request of any consumer or at the option of the utility.	

Dated at San Francisco, California, this thirteenth day of February,  
1920.

## DECISION No. 7137.

EARL W. KISSINGER AND FLORA A. JUSTUS

vs.

CATHERINE A. BROOKS, JOE SKIDMORE, AND JOHN DOE, DOING  
BUSINESS AS THE LAGUNA BEACH WATER COMPANY, OR THE  
LAGUNA WATER COMPANY, JOHN DOE AND JOHN DOE COMPANY.

Case No. 1384.

Decided February 13, 1920.

BY THE COMMISSION.

## ORDER.

Pursuant to stipulation set forth below, which was filed by the parties  
and their attorneys at the time and place set for hearing the above case  
in Los Angeles;

*It is hereby ordered*, that paragraphs one to six, inclusive, of said  
stipulation, be adopted as the order of the Commission in the above  
entitled case.

Said stipulation, hereinbefore referred to, is in words and figures as follows, to wit:

It is hereby stipulated by and between the complainants, hereafter referred to as the consumer, and the defendants, Catherine A. Brooks and Joe Skidmore and Catherine A. Brooks, doing business as the Laguna Heights Water System, hereafter referred to as the company, that a decree of the Railroad Commission may be entered in accordance with the following agreement, to wit:

1. That the company shall deliver to the consumer water under a metered service, by installing a one-inch meter with 1½-inch outlet at the main on Glenneyre street, within one block of the intersection of Ruby and Glenneyre streets, Arch Beach, California. The location of said meter shall be designated by the consumer and installation of meter shall be made before March 1, 1920.

2. The pipes extending from said meter to the hereinafter described property shall be installed by the consumer for use upon the property known as "Ye Arch Beach Tavern," on lots 1 to 10 in block 4, of tract No. 42, of Arch Beach, as per map thereof recorded in book 9, page 33 of Miscellaneous Maps, records of Orange County, California.

3. The consumer shall pay for the water supplied the same rates which are now or may hereafter be fixed by the Railroad Commission of the State of California for metered water supplied by said company by the same system to other consumers.

4. In view of the elevation and location of the meter herein referred to, the said company shall not be required to deliver a continuous flow of water, but it shall deliver at the said meter during any part of each calendar day an adequate supply of water for 24 hours, for domestic use, for the exclusive use of said tavern, and the said company makes no warranty or guarantee for delivery of water beyond said meter. The said use shall be subject to the rules and regulations of the said Laguna Heights Water System now in force and which may be hereafter adopted by and with the consent of the Railroad Commission.

The company shall not be responsible or liable for failure of supply due to acts of God or the elements, unavoidable accident or any other cause beyond its control, provided that due diligence is exercised to remedy such failure of supply; but except as herein provided as to manner and place of receiving water, said consumer shall not be discriminated against in any way in favor of any other consumer of the company.

5. When the present system of said company is enlarged in accordance with the plans and designs of the company, the said property shall be and become fully and completely a part of the system.

6. The consumer may continue the use of what is known as the "tunnel" line until May 1, 1920, and after said date the use thereof shall be discontinued and any right or property therein or claim thereto shall terminate.

Dated at San Francisco, California, this thirteenth day of February, 1920.

## DECISION No. 7138.

IN THE MATTER OF THE APPLICATION OF IMPERIAL UTILITIES CORPORATION FOR AUTHORIZATION TO ESTABLISH CERTAIN RATES FOR WATER SERVICE AND CERTAIN RULES AND REGULATIONS FOR SAID SERVICE IN THE TOWN OF BARSTOW, SAN BERNARDINO COUNTY, CALIFORNIA.

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Application No. 4871.

Decided February 13, 1920.

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*Charles G. Patrick*, for Applicant.

*C. W. Bruce*, for Protestants.

BY THE COMMISSION.

**OPINION.**

Imperial Utilities Corporation, a corporation engaged in supplying water for domestic, railroad and manufacturing purposes in the town of Barstow, has made application to the Railroad Commission as entitled above, for authority to change its rates and establish rules and regulations for service. Applicant alleges that the present rate schedule was established by the Atchison, Topeka and Santa Fe Railway Company, and that its gross revenue is not sufficient to meet operating expenses, depreciation and a fair interest return. The pumping plant and some of the mains were first installed by the Atchison, Topeka and Santa Fe Railway Company to provide water for its engines, round-house, yards and eating house, and permission was given to employees to take water from the system, provided they installed the necessary pipe lines and made the connections, the charge for this service being \$1 per month. Consumers other than employees were also permitted to take water, but were charged \$3 per month for this service. They, however, were required to install service connections at their expense. Under the railroad management a number of consumers were receiving free service, among them being certain railroad officials, the public school, post office, et cetera.

The Imperial Utilities Corporation, the present owner of the system in question, acquired this property under authority granted by the Railroad Commission, in its Decision No. 6339, dated May 14, 1919, *In the matter of the application of Barstow Utility Company, a corporation, to convey property to Imperial Utilities Corporation and of the latter corporation to issue stock and bonds in payment therefor* (Application No. 3892), to which decision reference is hereby made for matters pertaining to the early history of this system and its financial condition.

Applicant submitted an appraisal of the property acquired from the Barstow Utility Company which totals \$7,698. These figures were

checked by the Commission's engineers and found to be reasonable. The evidence shows that applicant has expended to date \$9,364 for improvements and it is estimated that it will be necessary to expend \$5,060 to complete certain improvements as provided by the terms of a contract between the railroad company and the Barstow Utility Company, which obligation was assumed by applicant when the transfer was made. The above items total \$22,122, which is the estimated cost of this system when completed. An annual replacement fund in the amount of \$845 was computed by the sinking fund method.

The Imperial Utilities Corporation has operated the system in question in connection with an ice plant which was also acquired from the Barstow Utility Company since June, 1919, and because of its varied activities and new construction work in progress, it has been impossible to get any definite data on operating cost. Applicant, however, submitted an estimate of its expenditures for one month of \$905, which indicates an annual maintenance and operation cost of \$10,860.

If the estimates submitted by applicant are reasonable, and annual charges based upon them, the amount which the rate schedule should yield annually would be \$13,475. This sum is computed from data submitted by applicant, as follows:

Interest on \$22,122 at 8 per cent.....	\$1,770 00
Operating expenditure .....	10,860 00
Replacement fund (sinking fund method) .....	845 00
Total .....	\$13,475 00

From the evidence it appears that the total average monthly revenue is \$1,147, of which \$299 is derived from domestic use and \$848 from railroad use. This produces an annual income of \$13,764, which is in excess of the estimated annual charges. It is therefore apparent, upon the showing made, that no increase in rates is justified. However, it appears that the present form of rate is unsatisfactory and should be adjusted in such manner as to eliminate certain discriminatory practices which now exist. Attention is called to the fact that it is impossible to compute a rate under a flat rate method of delivery by which the charges can be equitably distributed among the various consumers. The benefits obtaining from a metered system are a conservation of the supply, an equitable distribution of the charges, and a saving in operation expenses, notably pumping costs. A fully metered system, in this instance, would contribute to efficiency of operation, and it is recommended that some plan be adopted for the gradual metering of the entire system. While the rate schedule which is established in the following order will not result in an increased annual income, it is designed to more equitably distribute the charges among the consumers.

**ORDER.**

The Imperial Utilities Corporation having applied to the Railroad Commission for authority to change its rates for water and establish rules and regulations for said service in the town of Barstow, San Bernardino County, California, a public hearing having been held and the Commission being fully apprised in the premises;

It is hereby found as a fact, that the evidence submitted does not justify an increase in rates;

And basing its order on the foregoing finding of fact and upon the further statements of fact contained in the opinion preceding this order;

*It is hereby ordered*, that Imperial Utilities Corporation be and the same is hereby directed to establish the following schedule of rates, said schedule being designed to produce approximately the same income as now being received by applicant, and to more equitably distribute the charges among the consumers:

	Per month
Tenement buildings, lodging houses or residences, 6 rooms or less, 1 toilet, 1 bath, 1 lot not to exceed 60 by 150 feet in size.....	\$1 50
Each additional room.....	10
Each additional toilet, bath or urinal.....	15
Horses or cows, one.....	25
Each additional horse or cow.....	15
Automobile, each.....	40
Small stores and shops.....	2 00
Hotels, base rate.....	2 50
Each room having running water or bath.....	25
All other rooms.....	10
Hotels with dining room in connection, additional charge.....	4 00
Restaurants and eating houses.....	4 00
Business blocks and floor, not exceeding 5 offices.....	2 50
Each additional office.....	10
Stores, warehouses, butcher shops, confectionery shops, halls, billiard parlors, etc. ....	2 50
Drug stores and bakeries.....	2 00
Barber shops, one chair only.....	2 00
Each additional chair.....	25
Photograph galleries.....	2 50
Laundries.....	\$2 00 to 8 00
Lumber yards.....	5 00
Public baths, each.....	1 25
Public water troughs, each.....	1 75
Steam boilers or gas engines, each, per indicated horsepower.....	30
Soda fountains, in addition to base rate for stores, each.....	1 00
Cotton gins, for not more than 6-stand gin.....	5 00
Each additional gin.....	40
Lime for building purposes, for each 100 square yards plastered.....	50
Each 1000 bricks laid.....	15
For all purposes, per barrel lime.....	15
Concrete curb, per lineal foot.....	10
Fire hydrants, each.....	1 00
Graded streets, water used in settling street, per 100 lineal feet.....	1 00
Water for irrigation of lots at 1 cent per 100 square feet lot area.	

**SCHEDULE OF METER RATES.***Domestic and Commercial.*

Minimum monthly charge \$1 for 400 cubic feet or less.

Over 400 cubic feet to 2000 cubic feet.....15 cents per 100 cubic feet

Over 2000 cubic feet.....10 cents per 100 cubic feet

*Wholesale Rates.*

1,000,000 to 10,000,000 gallons-----	6½ cents per 1000 gallons
10,000,000 to 15,000,000 gallons-----	5½ cents per 1000 gallons
Over 15,000,000 gallons-----	5 cents per 1000 gallons

*It is hereby further ordered*, that the above schedule of rates shall be placed on file with the Railroad Commission within twenty (20) days subsequent to the date of this order and be placed in effect on and after March 1, 1920.

Dated at San Francisco, California, this thirteenth day of February, 1920.

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DECISION No. 7139.

IN THE MATTER OF THE APPLICATION OF SONOMA VISTA WATER COMPANY FOR PERMISSION TO INCREASE ITS WATER RATES.

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Application No. 4938.

Decided February 13, 1920.

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W. I. Fitzgerald, for Applicant.

Frank S. Sprague, for Protestants.

BY THE COMMISSION.

**OPINION.**

Sonoma Vista Water Company, applicant herein, is engaged in the business of selling water for domestic purposes in a territory known as Sonoma Vista subdivision near Boyes Springs, Sonoma County, California. It is alleged by applicant that the income derived from its present rates is not sufficient to return operating expenditure, replacements and interest on the investment, and application is accordingly made for an increase in its present rates.

The rates in effect at the present time were established by this Commission in its Decision No. 3905, *In the matter of the application of the Sonoma Vista Water Company for an order authorizing uniform charge for water service* (Application No. 2439), Vol. 12, page 19, Opinions and Orders of the Railroad Commission of the State of California.

An appraisal of the property was made and submitted by the Commission's engineers in Application No. 2439, above referred to, showing an estimated reproduction cost of \$5,124 for operative property and \$1,354 for nonoperative property. Since that appraisal was made, additions and betterments have been installed in the amount of \$4,052. These items total \$10,530, and subtracting therefrom the value of certain nonoperative property, including certain wells and gas engine,



the appraised value of which is \$1,264, we find the estimated cost new of the plant to be \$9,266. An annual replacement fund in the amount of \$197 has been computed by the sinking fund method.

The evidence shows that \$980 is a fair sum to be included for operating expenses. The income for 1919 was \$827, which is \$153 less than reasonable operating expenses.

The Sonoma Vista Water Company serves a summer resort community, and the consumers, in large part, maintain a residence there for a period of about three months during the summer season, and throughout the year spend week ends at this resort. Because of the wide variation in the number of consumers and the fact that the company must stand ready at all times to deliver water to these consumers, it is very difficult to establish a rate schedule that will distribute the expense of maintaining and operating a system of this character equitably among the consumers. Those consumers who reside at Sonoma Vista only for a short time each year have maintained for their benefit a system of much larger capacity than would be necessary to serve a population using a like quantity of water delivered during twelve months rather than during three months of the year, as at present.

The evidence shows that this project is operating in connection with a real estate development project and that most of the lots in this subdivision have been sold, and probably many new consumers will be acquired by the company in the near future. While the rate established in the following order will not, at the present time, give a return on the investment, it is designed to produce operating expenses and depreciation with a small interest return, it being apparent that the revenue will be increased by the addition of new consumers which the system can handle in its present condition and with its present available water supply.

#### ORDER.

Sonoma Vista Water Company having applied to the Railroad Commission for an order authorizing it to increase its water rates, a public hearing having been held, and the Commission being fully apprised in the premises;

It is hereby found as a fact, that the rate schedule of Sonoma Vista Water Company heretofore in effect, in so far as it differs from the rate schedule herein established, is unjust and unremunerative, and that the rate schedule herein established is fair, just and reasonable;

And basing its order upon the foregoing finding of fact and upon the other statements of fact set out in the opinion preceding this order;

*It is hereby ordered*, that Sonoma Vista Water Company be and it is hereby authorized and directed to file with this Commission, within

twenty days from the date of this order, the following schedule of rates effective for all meter readings subsequent to the date of this order, except that the annual charge shall be for each calendar year, beginning January 1, 1920.

Annual charge to be paid in advance, which entitles consumer to 400 cubic feet per month-----	\$12 00
For the next 1600 cubic feet, for each 100 cubic feet consumed per month-----	20
For all in excess of 2000 cubic feet, for each 100 cubic feet consumed per month-----	15

Dated at San Francisco, California, this thirteenth day of February, 1920.

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### DECISION No. 7140.

IN THE MATTER OF THE APPLICATION OF F. A. WILSON AND COMPANY FOR CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY TO OPERATE PASSENGER AND EXPRESS SERVICE BETWEEN SAN FRANCISCO AND CARMEL AND INTERMEDIATE POINTS.

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Application No. 4955.

Decided February 13, 1920.

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**CERTIFICATE—AUTO STAGE LINES—NECESSITY FOR.**—A certificate to operate an auto stage service will not be granted upon a statement that the establishment of such service will provide another method of transportation between the two points proposed to be served. Such a showing does not establish a public necessity for the additional route when the existing lines are affording adequate service, with sufficient facilities for handling all traffic offered.

**AUTO STAGES—JOINT RATES.**—A certificate will not be issued permitting the operation of a competing carrier on the grounds that existing stage lines operating between intermediate points do not provide a through service, as a complaint to compel the establishment of a through route and joint rates would provide the necessary procedure to determine the public necessity for such service.  
Certificate denied.

*Timothy Healy*, for Applicant.

*N. C. Folsom*, for Pickwick Stages, Northern Division, Protestant.

*L. V. Klein* for N. V. Enyeart, Protestant.

*Carmel Martin*, for F. M. Littlefield and G. R. Carpenter, and C. O. Gould, proprietor Carmel Stage Line, Protestant.

*Cyril Appell*, for United Railroads of San Francisco.

*T. H. Hepple*, for Ralph Hepple, G. H. Harter and L. V. Matheu, Protestants.

*F. V. Austin*, for United States Railroad Administration; Southern Pacific Railroad, Protestant.

BY THE COMMISSION.

### ORDER.

F. A. Wilson, P. B. Mahoney and F. M. Haley, partners in business proposing to operate under the fictitious name of F. A. Wilson and

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Company, have petitioned the Railroad Commission for an order declaring that public convenience and necessity require the operation by them of an automobile stage line as a common carrier of passengers and express between San Francisco and Carmel and intermediate points.

A public hearing on this application was conducted by Examiner Handford at San Francisco on February 7, 1920, at which time the matter was duly submitted for decision.

Applicants propose to charge rates in accordance with a schedule marked Exhibit "A" and attached to the application in this proceeding; to operate on a schedule of one round trip daily, using as equipment four seven-passenger automobiles as described in Exhibit "C" attached to the application in this proceeding.

Applicant relies as justification for the granting of the certificate herein sought upon the alleged fact that no through stage service exists between San Francisco and Carmel, and that stage lines now operating locally over portions of the through route herein sought do not make connections which would offer the public a continuous service. Witnesses for applicants residing at Pacific Grove and Monterey testified as to the convenience that would be offered prospective patrons of the through line herein proposed, although all witnesses testified as to the adequacy of the facilities of the Southern Pacific Railroad as regards service now available by such route between Monterey and San Francisco. The testimony indicates that additional service, as proposed by the applicant herein, would be desirable in that another method of transportation by a through route would be available for the communities at Carmel and Monterey. A statement signed by the president and secretary of the Monterey Chamber of Commerce was presented certifying that such Chamber of Commerce had endorsed the application herein, the endorsement being qualified, however, as to a through line service between San Francisco and Del Monte, Monterey and Carmel, the endorsement not to include any service between Monterey and Salinas, which service was recorded by the Monterey Chamber of Commerce as being ample and satisfactory at the present time.

At the hearing on this application it was stipulated by applicants that no authority was sought for the establishment of any local service and that the application should be considered on the basis of through service between San Francisco and the communities at Del Monte, Monterey and Carmel.

This application is protested by the Pickwick Stages, Northern Division, M. V. Enyeart, F. M. Littlefield, G. R. Carpenter, C. O. Gould, Ralph Hepple, G. H. Harter, V. W. Matheu, and the United

States Railroad Administration on behalf of its lessor the Southern Pacific Railroad.

The objections on the part of protestants Enyeart, Littlefield, Carpenter, Gould, Hepple, Harter and Matheu are eliminated by the stipulation of applicant that a through service only is desired and that no authority for the carriage of passengers locally over portions of the route as served by such protestants is desired.

Pickwick Stages, Northern Division, protest the granting of this application on the basis that such protestant operates service between San Francisco and Los Angeles and that patrons desiring automobile transportation to Monterey could be served by using the line of this protestant between Salinas and San Francisco, transferring at Salinas to or from one of the two lines now operating between Salinas and Monterey and conducted by protestants Littlefield and Carpenter. This protestant stated its desire, if the public demanded service by automobile stage between San Francisco and Monterey, to join with the existing authorized lines between Salinas and Monterey in a through route and joint rate on the basis of travel being made at Salinas. It was stated that some negotiations had already been made with one of the operators of the local lines between Monterey and Salinas and that, if such negotiations were unsuccessful, the Railroad Commission would be asked to investigate the matter of the necessity for the establishment of a through route and joint rate between San Francisco and Monterey, and, if such investigation justified, the Commission would be asked to establish by its order the through route and joint rate between such points.

This application is protested by the United States Railroad Administration on behalf of its lessor, the Southern Pacific Railroad, on the basis that adequate train service is at present available for the public desiring transportation between San Francisco and Monterey, such service being rendered at reasonable rates. This protestant claims to be able to take care of all passengers or traffic offering between the points proposed to be served by applicant with the exception of Carmel, and the evidence in this proceeding indicates that service between Monterey and Carmel is cared for by a stage line making reasonable connections with the trains of the Southern Pacific Railroad at Monterey.

After careful consideration of all the evidence in this proceeding, we are of the opinion that applicants herein have not presented evidence in this proceeding which would justify the granting of the application. The evidence indicates that the convenience of a portion of the public desiring stage transportation between San Francisco,

Del Monte and Carmel would be served by the establishment of the proposed route; that it is the desire of the Chamber of Commerce of Monterey and residents of such community that this stage service be established for the reason that it would make it possible for the public to have another method of transportation between the points proposed to be served. There is no evidence before the Commission which indicates that there is any necessity for the establishment of this service, no testimony being presented that would indicate the probable number of patrons desiring such service.

As the Commission has frequently stated in its decisions on applications for certificates of public convenience and necessity to operate automobile stage lines as common carriers of passengers, an affirmative showing must be made as to the public convenience and necessity to be served. It is incumbent upon applicants in proceedings of this nature to make an affirmative showing that the transportation facilities offered by existing authorized carriers are insufficient, unsatisfactory, or do not in any other manner meet the requirements and demands of the traveling public, and in this proceeding we find from the evidence that all witnesses testifying in behalf of applicant universally commend the service of the protestant, the Southern Pacific Railroad, as being adequate and satisfactory. The public desiring transportation by automobile stage between San Francisco, Del Monte, Monterey and Carmel can at the present time secure such accommodation with a minimum of inconvenience by the use of the stages of the Pickwick Stages, Northern Division, between San Francisco and Salinas, by the use of either of two lines now operating between Salinas and Monterey and, as regards the community at Carmel, by the use of the stage line operating between Monterey and Carmel. A number of stage lines operating between San Jose and Salinas as well as three lines operating between San Francisco and San Jose can be utilized as regards the territory between San Francisco and Salinas if the through service of the Pickwick Stages, Northern Division, is for any reason not desired as regards the territory between San Francisco and Salinas. The use of a combination of these lines would probably not be convenient for the public, but the lines are available for use if for any reason the public or any portion thereof did not desire the service of the Pickwick Stages, Northern Division.

The evidence in this proceeding does not warrant the Commission granting the order herein sought for the reason that there is no showing that existing lines are unable to furnish transportation by automobile stage over the route herein sought; and if a through route and joint rate is desired by the public, and existing stage lines can not themselves agree on an adjustment of schedules and rates which will make possible

a through route and joint rate between the points sought to be served by applicant, complaint to the Commission that a through route and joint rate is necessary will receive investigation and an order of the Commission will issue based on the evidence adduced at a public hearing. The remedy for the adjustment of conditions which may not be desired by the public is not the establishment of a competing line, thereby dividing the traffic to the extent that existing authorized lines are unable to render the character of service demanded by the public and required by the regulations of this Commission.

The Railroad Commission hereby declares that public convenience and necessity do not require the operation by F. A. Wilson, P. B. Mahoney and F. M. Haley, partners in business, of an automobile stage line as a common carrier of passengers and express between San Francisco, Del Monte, Monterey and Carmel; and

*It is hereby ordered*, that this application be and the same is denied.

Dated at San Francisco, California, this thirteenth day of February, 1920.

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DECISION No. 7141.

IN THE MATTER OF THE APPLICATION OF PATTERSON CITY WATER COMPANY, A CORPORATION, FOR AN ORDER AUTHORIZING THE ISSUE OF STOCK.

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Application No. 5171.

Decided February 13, 1920.

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*Vance McClymonds*, for Applicant.

BY THE COMMISSION.

**OPINION.**

Patterson Ranch Company asks authority to sell and transfer to Patterson City Water Company its public utility water properties located in the town of Patterson and more particularly described in the petition herein. Patterson City Water Company asks authority to issue \$40,100 of common capital stock in payment for the properties, and \$300 (3 shares) of stock to directors.

Hearings were had in this proceeding before Examiner Satterwhite in San Francisco.

The record shows that the principal reason for the transfer of these properties is the desire of the Patterson Ranch Company, which is engaged primarily in the business of selling land, to segregate its public utility properties and transfer them to a corporation organized primarily for the purpose of operating such properties. The new company

will be controlled through stock ownership by Patterson Ranch Company.

A description of the properties is set forth in the petition herein. The cost of the properties is reported at \$34,620. Since the filing of the application with the Commission, approximately \$2,000 has been expended for improvements. The properties described in the petition, as well as the improvements recently constructed, which the record shows includes all the properties of the Patterson Ranch Company used by it in supplying the residents of the town of Patterson with water, will be transferred to the Patterson City Water Company in exchange for \$40,100 of stock. The record shows that approximately 200 consumers are connected with the water system.

Patterson City Water Company was organized on or about September 26, 1919, with an authorized stock issue of \$50,000 divided into 500 shares of the par value of \$100 each.

#### ORDER.

Application having been made by the Patterson Ranch Company to transfer public utility properties to the Patterson City Water Company, and Patterson City Water Company having asked permission to issue stock, a public hearing having been held, and the Commission being of the opinion that the money, property or labor to be procured or paid for by the issue of the stock herein authorized is reasonably required for the purpose or purposes specified in this order, and that the expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income;

*It is hereby ordered*, that Patterson Ranch Company be, and it is hereby, authorized to sell and transfer to Patterson City Water Company the public utility properties described in the petition herein;

*It is hereby further ordered*, that Patterson City Water Company be, and it is hereby, authorized to issue \$40,400 par value of its common capital stock.

The authority herein granted is upon the following conditions and not otherwise:

1. Of the stock herein authorized, \$40,100 shall be delivered to the Patterson Ranch Company in payment for the properties which it is herein authorized to transfer to the Patterson City Water Company, and \$300 of stock shall be issued and sold at par for the purpose of qualifying directors and the proceeds thereof used for working capital.

2. The consideration at which the transfer of properties is herein authorized, shall not be urged before this Commission, or any other public body having jurisdiction, as fixing the value of said properties for rate making or any purpose other than the transfer herein authorized.

3. Within thirty days after the transfer of the properties herein authorized, Patterson City Water Company shall file with the Commission a verified copy of the instrument of conveyance under which it receives title to the properties, and also advise the Commission of the specific date on which it has acquired and taken possession of the properties.

4. Patterson City Water Company shall keep such record of the issue and sale of the stock herein authorized to be issued, and of the disposition of the proceeds, as will enable it to file on or before the twenty-fifth day of each month a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

5. The authority herein granted will apply only to such transfer of properties as may be made, and to such stock as may be issued, on or before August 1, 1920.

Dated at San Francisco, California, this thirteenth day of February, 1920.

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DECISION No. 7145.

IN THE MATTER OF THE APPLICATION OF NORTHWESTERN PACIFIC RAILROAD COMPANY FOR THE APPROVAL OF AN AGREEMENT BETWEEN WALKER D. HINES, DIRECTOR GENERAL OF RAILROADS, AND APPLICANT, AND THE TRUSTEE UNDER SAID AGREEMENT, TO EXECUTE AN EQUIPMENT TRUST AGREEMENT PROVIDING FOR THE PURCHASE OF EQUIPMENT AND FOR AN ORDER AUTHORIZING THE ISSUANCE OF NOTES AS PROVIDED IN SAID AGREEMENT.

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Application No. 5350.

Decided February 20, 1920.

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C. W. Durbrow, for Applicant.

LOVELAND, *Commissioner.*

**OPINION.**

Northwestern Pacific Railroad Company asks permission to execute an equipment trust agreement substantially in the same form as that filed in this proceeding and marked Exhibit "A" and issue thereunder not exceeding \$293,240 face value of 6 per cent equipment gold notes. Applicant reports that during the course of the federal administration of the properties owned by it, the Director General of Railroads apportioned to it certain equipment to be used in conducting its business as a common carrier, such equipment consisting of 100 double-sheathed box cars, each having a capacity of 80,000 pounds.

Applicant reports that it is not in a position at this time to advise the Commission definitely of the exact cost of the equipment, but that



the equipment trust agreement provides for a minimum cost of \$2,725 and a maximum cost of \$2,932.40 per car; that the cars have been delivered by the manufacturer to the Director General of Railroads between November 25 and December 22, 1919, and that applicant has been credited with earnings because of the use of the cars.

The equipment gold notes which applicant desires to issue will be divided into fifteen series, each for an aggregate principal amount equal to one-fifteenth of the aggregate purchase price of the equipment, and maturing respectively on the fifteenth day of January of each of the years 1921 to 1935, both inclusive. The notes may be redeemed on any semiannual interest payment date upon the payment of the principal, a premium of 3 per cent and accrued interest.

I herewith submit the following form of order:

#### ORDER.

Northwestern Pacific Railroad Company having applied to the Railroad Commission for permission to execute an equipment trust agreement and issue notes thereunder, a public hearing having been held, and the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for by the issue of said gold notes is reasonably required for the purpose specified in this order, and that the expenditures for such purpose are not in whole or in part reasonably chargeable to operating expenses or to income;

*It is hereby ordered*, that Northwestern Pacific Railroad Company be, and it is hereby, authorized to execute an equipment trust agreement substantially in the same form as the agreement filed in this proceeding and marked Exhibit "A" and issue under such equipment trust agreement on or before June 30, 1920, at not less than par, not exceeding \$293,240 face value of 6 per cent equipment gold notes maturing serially from 1921 to 1935, inclusive, for the purpose of paying for 100 double-sheathed box cars referred to in the petition herein;

Provided, that the approval herein given of said equipment trust agreement is for the purpose of this proceeding only and an approval in so far as this Commission has jurisdiction under the terms of the Public Utilities Act, and is not intended as an approval of said equipment trust agreement as to such other legal requirements to which said equipment trust agreement may be subject; and

Provided, further, that the authority herein granted will not become effective until applicant has paid the fee prescribed in the Public Utilities Act; and

Provided, further, that applicant will keep such record of the issue and sale of the notes herein authorized and of the disposition of the

proceeds as will enable it to file, on or before the twenty-fifth day of each month, a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twentieth day of February, 1920.

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DECISION No. 7153.

IN THE MATTER OF THE APPLICATION OF THE WESTERN PACIFIC RAILROAD COMPANY FOR AN ORDER AUTHORIZING THE ABANDONMENT OF THAT PORTION OF ITS LINE OF RAILROAD LYING BETWEEN GRIZZLY SPUR AND MARSH SPUR, CALIFORNIA.

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Application No. 5321.

Decided February 20, 1920.

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BY THE COMMISSION.

**ORDER.**

The Western Pacific Railroad Company has petitioned the Railroad Commission for an order authorizing the abandonment and removal of that portion of its branch line of railroad lying between the station of Grizzly Spur and the point of intersection of said branch line of railroad with an abandoned spur track known as the Marsh Spur, a distance of approximately 3.22 miles, for the reason that it is alleged that there is no public need for the continued maintenance of the spur proposed to be abandoned, that no traffic moves thereover, and that the shipping and receiving public will not be inconvenienced by the abandonment and removal of such track.

The branch line of railway, extending from Loyalton to Loyalton Branch Junction, was originally a part of the railroad owned and operated by the Boca and Loyalton Railroad Company and was acquired by purchase by applicant, The Western Pacific Railroad Company. The only station located on the portion of the branch line, herein proposed to be abandoned and removed, is the station of Beckwith, such station being now served by triweekly mixed train service operated between Loyalton and Loyalton Branch Junction. The traffic handled over such branch is of little volume, but will be hereafter cared for by the establishment of a station on the main line of the applicant at a point opposite the existing station of Beckwith on the branch line and some 2300 feet distant therefrom. A wagon road

will be constructed between the present station of Beckwith and the station proposed to be established by applicant on its main line, and the service that will be hereafter rendered to the community at Beckwith will be more satisfactory, by reason of Beckwith hereafter being a main line station, than the service now rendered by applicant on a triweekly basis and as branch line operation.

The track for which authority for abandonment and removal is requested is shown upon a blue print map attached to and forming a portion of the application in this proceeding.

We are of the opinion that this is a matter in which a public hearing is not necessary and that the convenience of the public requiring freight facilities heretofore served by the branch line station at Beckwith will be more adequately served by the establishment of a main line station, which will hereafter serve such community.

*It is hereby ordered*, that this application be and the same hereby is granted upon the condition that prior to the abandonment and removal of the track, as hereinabove referred to, applicant, The Western Pacific Railroad Company, will establish a station on its main line at Beckwith and construct a road connecting said proposed station at Beckwith with the station of such name as heretofore maintained on the branch line as acquired from the Boca and Loyalton Railroad Company.

Dated at San Francisco, California, this twentieth day of February, 1920.

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DECISION No. 7155.

IN THE MATTER OF THE APPLICATION OF EAST GARDENA WATER COMPANY FOR AN ORDER AUTHORIZING THE ISSUE OF A PROMISSORY NOTE SECURED BY MORTGAGE.

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Application No. 5254.

Decided February 20, 1920.

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*F. W. Sutter*, for Applicant.

*C. E. Donnelly*, for Mortgagee.

BY THE COMMISSION.

OPINION.

East Gardena Water Company asks permission to issue a \$4,000 three-year 7 per cent note and execute a mortgage to secure the payment of the note.

A hearing was held in the above entitled matter before Examiner Westover in Los Angeles on February 6.

Applicant reports that on April 20, 1915, it executed its one-year 7½ per cent promissory note for \$3,000 to E. J. Bell, and that on April 17, 1915, it executed its one-year 8 per cent promissory note to Buena Nelson Swanson for the sum of \$1,000.

The money procured through the issue of the notes applicant reports was used to install a new pump unit and to lay 3000 feet of steel pipe. Since the issue of the notes, they have been assigned to William Bryant or Kittie B. Bryant. The holders of the notes ask that they be refunded through the issue of a new three-year 7 per cent note secured by a mortgage, a copy of which has been filed with the Commission.

#### ORDER.

East Gardena Water Company having applied to the Railroad Commission for permission to issue a \$4,000 note and execute a mortgage, a public hearing having been held, and the Commission being of the opinion that applicant reasonably requires the money to be procured by the issue of such note and that the expenditures herein authorized are not in whole or in part reasonably chargeable to operating expenses or to income;

*It is hereby ordered*, that East Gardena Water Company be, and it is hereby, authorized to issue a \$4,000 note payable three years from date and to bear interest at the rate of 7 per cent per annum, payable quarterly, and to execute a mortgage substantially in the same form as the mortgage filed in this proceeding, to secure the payment of the note; provided, that—

1. The note herein authorized is to be issued at not less than par and the proceeds used to pay the \$4,000 face value of notes described in the petition herein and referred to in the preceding opinion.

2. The approval herein given of said mortgage is for the purpose of this proceeding only and an approval in so far as this Commission has jurisdiction under the terms of the Public Utilities Act, and is not intended as an approval of said mortgage as to such other legal requirements to which said mortgage may be subject.

3. East Gardena Water Company shall keep such record of the issue and sale of the note herein authorized and of the disposition of the proceeds as will enable it to file, on or before the twenty-fifth day of each month, a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

4. The authority herein granted will not become effective until East Gardena Water Company has paid the fee prescribed in the Public Utilities Act.

5. The authority herein granted will apply only to such note as may be issued and to such mortgage as may be executed on or before July 1, 1920.

Dated at San Francisco, California, this twentieth day of February, 1920.

## DECISION No. 7161.

IN THE MATTER OF THE APPLICATION OF COAST VALLEYS GAS AND ELECTRIC COMPANY, A CORPORATION, FOR AN ORDER INCREASING ITS GAS RATES.

Application No. 5023.

Decided February 20, 1920.

**GAS RATES—SERVICE—CONDITIONED ON.**—The Commission holds that before the rates of a gas utility will be readjusted it must first show that it is rendering satisfactory service to its consumers. Informal complaints against the service of applicant having been satisfactorily adjusted and applicant having agreed to make necessary improvements and replace all inadequate equipment, a revised schedule of gas rates is established for the cities of Salinas, Monterey and Pacific Grove, such schedule to become effective for meter readings made on and after February 25, 1920.

*H. F. Jackson*, for Applicant.

*James E. Campbell*, for city of Monterey.

*H. G. Jorgensen*, for city of Pacific Grove.

*J. H. Andresen* and *G. A. Dougherty*, for city of Salinas.

*DEVLIN*, Commissioner.

**OPINION.**

This is an application of Coast Valleys Gas and Electric Company for authority to increase its rates and charges for gas service in Salinas, Pacific Grove, Monterey and contiguous territory. A hearing was held in Monterey on December 2, 1919, at which time it appeared proper that decision be withheld pending a further investigation of service conditions. Such being completed, the matter is now ready for decision.

Coast Valleys Gas and Electric Company, hereinafter referred to as applicant, is engaged in the transmission and distribution of electricity in the Salinas Valley, and in the generation and distribution of gas in the cities of Salinas, Pacific Grove, Monterey and suburban districts adjacent thereto. It also supplies water service in Salinas and King City. The present proceeding, however, is confined to its rates for gas service.

From a manufacturing plant located at Salinas, gas is distributed to that community through a low pressure distribution system. The cities of Pacific Grove and Monterey are supplied from a separate generating plant located at Monterey with a high pressure transmission line and local low pressure distributing systems.

The following table, based upon operations for the year ending September 30, 1919, shows the extent of applicant's operations in the two divisions of its gas business:

	Salinas	Monterey and Pacific Grove	Total
Consumers .....	781	1,649	2,430
Gas sold, cubic feet.....	15,095,800	35,914,500	51,010,300
Gross revenue .....	\$25,621 00	\$56,387 00	\$82,008 00
Oil used, barrels.....	5,312	11,267	16,579

Authority to increase its gas rates is sought to reimburse applicant for increases in its operating expenses, due principally to additional costs of production and distribution on account of the increased cost of oil, labor and materials used in its operations and for some greater expense occasioned by its compliance with General Order No. 58 of this Commission, establishing a thermal standard of 570 B.t.u. per cubic foot for gas. It is alleged by Coast Valleys Gas and Electric Company that its present rates are not sufficient to give it a fair return upon its investment in gas properties used and useful in connection with the service rendered to its consumers.

The rates now charged by Coast Valleys Gas and Electric Company for gas were established by this Commission's Decision No. 4847 in Application No. 1876, "*In the matter of the application of the Coast Valleys Gas and Electric Company for a determination of its gas, electric and water rates,*" Volume 14, Opinions and Orders of the Railroad Commission of the State of California, page 460. These rates have been in effect since November 16, 1917, since which time applicant has been required to bear constantly increasing costs of all materials and an ascending scale of wages in its operations, without seeking relief in the form of higher rates.

In Decision No. 4847, *supra*, the Commission found that a fair value of the properties used and useful in the service of gas to applicant's consumers was the sum of \$196,811.69 as of June 30, 1917, since which date additions and betterments have been made to these properties as follows:

From July 1, 1917, to September 30, 1917.....	\$1,700 75
For the year ending September 30, 1918.....	4,109 77
For the year ending September 30, 1919.....	8,803 95

To meet the growth of its business it estimates additions of \$10,100 for the year ending September 30, 1920. All of the above figures being based upon applicant's actual investment in these properties, and the aggregate thereof representing a reasonable basis for the establishment of rates, I shall adopt, for the purpose of this proceeding, the sum of \$245,000 as a rate base. This sum includes, in addition to the value of the physical properties used in the production and distribution of gas, a pro rata of applicant's general capital and allowance for material and supplies and working cash capital.

A review of applicant's revenue and expenses for the years ending September 30, 1917, 1918 and 1919 shows the declining effect upon net income of the increase in expenses without an attendant increase in revenue. For the year ending September 30, 1920, it appears that a reasonable estimate of applicant's revenue from the sale of gas under

its present rates will be \$94,500, and that the expenses to be incurred in this service are as follows:

Production expense -----	\$56,535 00
Distribution expense -----	6,135 00
Commercial expense -----	6,600 00
General expense -----	5,025 00
Taxes -----	5,900 00
Uncollectible accounts -----	175 00
Total direct operating expenses -----	<u>\$80,370 00</u>

These expenses are based upon a total sale of 58,283,500 cubic feet of gas to 2670 consumers, using 19,670 barrels of oil in gas manufacture, together with a consideration of the actual costs of material and wages now in effect.

In addition to the above direct operating expenses applicant's income should be sufficient to permit it to set aside a proper depreciation annuity upon its properties. Adopting the same basis as that used in Decision No. 4847, *supra*, I find that a reasonable depreciation annuity for these properties at the present time is \$7,100 per annum. From the above basis, with a continuation of the rates now in effect, applicant will receive from its gas operation a net of \$7,030 and thus earn a return of only 2.87 per cent from its investment of \$245,000 shown above.

As this Commission has indicated from time to time, the ability to earn a satisfactory return by a utility is predicated upon its giving satisfactory service to the public. In the present instance numerous protests have disclosed unsatisfactory service conditions, particularly in applicant's Salinas territory, although complaints of a minor character have arisen in Monterey and Pacific Grove. As a result of the complaints arising in Salinas, the Commission ordered that a special investigation be made as to the quality of gas, as to pressure, and other matters affecting gas service in that locality. A conference was held in Salinas on December 18, 1919, at which time the entire matter was discussed and specific recommendations were made by the Commission's engineering department as to the investigation and correction of the existing difficulties. It appears that most of the complaints were occasioned by insufficient pressure, inadequate house piping and stoppages, although a few were directed to the heating content of the gas. The latter have not been sustained, and it is my belief that Coast Valleys Gas and Electric Company is now supplying gas of standard heating value and purity from both of its plants. On December 27, 1919, applicant employed a special service man to canvass the Salinas territory and adjust whatever conditions were found to be the source of complaints. Reports have been made to the Railroad Commission from time to time showing that a large number of these com-

plaints have been satisfactorily adjusted and that continued progress along these lines is being made.

Investigation by the Commission's engineers indicates a lack of sufficient equipment at the Monterey gas plant to provide and to insure the consumer with continuous service. The inadequacy of existing facilities has fortunately not resulted in any interruption in service, but, nevertheless, steps should be taken to provide such additional equipment as will remove any possibility of a breakdown. The Commission has, however, been assured that definite plans have been approved for the replacement of inadequate equipment now in use in Monterey, and that substantial plant and service betterments are to be installed wherever needed throughout the entire territory served.

It will be recalled that it was announced at the hearing in Monterey in this proceeding that the starting point in any rate case is based upon good service, and that before anything could be done with the rate the service should be first made satisfactory. From the subsequent investigation conducted by our engineering department, and from the attitude of applicant herein in removing existing complaints in Salinas and elsewhere, and from the very definite assurance which it has made to the Commission, pledging substantial expenditures for additional equipment and service improvements, I am satisfied that every reasonable effort will be made to establish service conditions which will occasion a minimum of complaint. With these facts in mind, and fully recognizing the inadequate character of the present rates now charged for gas by Coast Valleys Gas and Electric Company, I shall recommend that the Commission authorize an increase in its gas rates, and approve the rates set forth in the order herein. The rates hereinafter established will return to applicant after the deduction of proper operating expenses and depreciation a return of nearly 7½ per cent upon its investment.

I submit the following form of order:

#### ORDER.

Coast Valleys Gas and Electric Company having applied for authority to increase its rates and charges for gas, a public hearing having been held, the matter being submitted and now awaiting decision, the Railroad Commission of the State of California hereby finds as a fact that the present rates and charges of the Coast Valleys Gas and Electric Company for gas service are not, under present conditions, just, fair or reasonable rates, and that the rates and charges herein established are just and reasonable rates for gas to be supplied in the territory served by Coast Valleys Gas and Electric Company.



Basing its opinion upon the foregoing findings of fact and on the other findings of fact contained in the opinion which precedes this order;

*It is hereby ordered*, that Coast Valleys Gas and Electric Company be, and it is hereby, authorized to charge and collect for gas sold in the localities set forth in the respective schedules the following rates and charges for gas of a quality of 570 B.t.u. per cubic foot:

#### SCHEDULE "A."

(Monterey and Pacific Grove.)

##### *Character of Service.*

This rate covers all service furnished to all classes of consumers in the corporate limits of Monterey and Pacific Grove and adjoining territory where served.

##### GAS RATES.

First 500 cubic feet or less per month.....	\$1 00	
Next 2000 cubic feet per month.....	1 75	per 1000 cubic feet
Next 2500 cubic feet per month.....	1 50	per 1000 cubic feet
Next 5000 cubic feet per month.....	1 30	per 1000 cubic feet
Next 5000 cubic feet per month.....	1 10	per 1000 cubic feet
All over 15,000 cubic feet per month.....	1 00	per 1000 cubic feet

#### SCHEDULE "B."

(Salinas.)

##### *Character of Service.*

This rate covers all service furnished to all classes of consumers within the city of Salinas and in adjoining territory where served.

First 500 cubic feet or less per month.....	\$1 00	
Next 2000 cubic feet per month.....	1 90	per 1000 cubic feet
Next 2500 cubic feet per month.....	1 75	per 1000 cubic feet
Next 5000 cubic feet per month.....	1 50	per 1000 cubic feet
Next 5000 cubic feet per month.....	1 30	per 1000 cubic feet
All over 15,000 cubic feet per month.....	1 10	per 1000 cubic feet

which rates shall be effective for all regular meter readings taken on and after the twenty-fifth day of February, 1920;

Provided, Coast Valleys Gas and Electric Company shall, within ten days of the date of this order, file with the Railroad Commission the schedules of rates herein established.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twentieth day of February, 1920.

## DECISION No. 7162.

IN THE MATTER OF THE APPLICATION OF NEVADA COUNTY NARROW  
GAUGE RAILROAD COMPANY FOR THE ISSUANCE OF BONDS.

Application No. 5230.

Decided February 21, 1920.

Applicant authorized to issue \$89,000 face value of its 5 per cent bonds, to be sold at a price to net not over a 7 per cent interest rate, the proceeds thereof to be used to redeem outstanding 7 per cent bonds of applicant as they mature.

*Jesse H. Steinhart*, for Applicant.

*LOVELAND*, Commissioner.

## OPINION.

Nevada County Narrow Gauge Railroad Company asks permission to issue 5 per cent bonds, due April 1, 1943, for the purpose of paying or refunding 7 per cent bonds now outstanding.

Applicant reports \$250,200 of stock and \$89,000 of its 7 per cent and \$50,000 of its 5 per cent bonds outstanding on December 31, 1919. In addition, it reports \$153,999.72 of funded debt retired through surplus and additions to property through income and surplus, representing \$231,383.62.

The \$89,000 includes \$6,000, while the \$50,000 includes \$4,000 of bonds reacquired by applicant and held in its treasury. The testimony shows that the \$89,000 of 7 per cent bonds mature as follows:

\$16,000 in January, 1920  
16,000 in January, 1921  
18,000 in January, 1922  
19,000 in January, 1923  
20,000 in January, 1924

The record shows that it is applicant's intention to refund the outstanding 7 per cent bonds through the issue of its 5 per cent bonds and through the use of surplus earnings. It asks permission to issue its 5 per cent bonds at not less than 75, which would be on a basis slightly in excess of 7 per cent. It is not the intention of applicant to call the 7 per cent bonds prior to maturity, but to make at this time the necessary arrangements for their refunding or payment as they mature. The order herein will provide that applicant may issue its 5 per cent bonds in face amount equal to the 7 per cent bonds outstanding, and that such bonds be issued on a basis that the effective interest rate will not exceed 7 per cent. Any additional sums which may be necessary to pay or refund the outstanding 7 per cent bonds should be obtained from

applicant's surplus earnings or from sources other than the issue of bonds.

I herewith submit the following form of order:

**ORDER.**

Nevada County Narrow Gauge Railroad Company having applied to the Railroad Commission for permission to issue 5 per cent bonds to refund outstanding 7 per cent bonds, a public hearing having been held, and the Railroad Commission being of the opinion that the money to be procured through the issue of such bonds is reasonably required for the purpose stated in this order, and that the expenditures for such purpose are not in whole or in part reasonably chargeable to operating expenses or to income;

*It is hereby ordered*, that Nevada County Narrow Gauge Railroad Company be, and it is hereby, authorized to issue not exceeding \$89,000 face value of its 5 per cent bonds, due April 1, 1943, for the purpose of paying or refunding its 7 per cent bonds as the same may become payable, the issue of such 5 per cent bonds being subject to the following conditions:

1. Of the bonds herein authorized, \$16,000 may be issued in 1920, \$16,000 in 1921, \$18,000 in 1922, \$19,000 in 1923, and \$20,000 in 1924; provided, that all of said bonds be issued and sold at a price which will not result in an effective interest rate in excess of 7 per cent. Any moneys, other than the moneys obtained through the issue and sale of the 5 per cent bonds herein authorized, which may be necessary to redeem the outstanding 7 per cent bonds as they mature, shall be paid by applicant out of surplus earnings or be obtained from sources other than through the issue of additional bonds.

2. Nevada County Narrow Gauge Railroad Company shall keep such record of the issue and sale of the bonds herein authorized, and of the disposition of the proceeds, as will enable it to file, on or before the twenty-fifth day of each month, a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

3. The authority herein granted to issue bonds will not become effective until applicant has paid the fee prescribed by the Public Utilities Act.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-first day of February, 1920.

## DECISION No. 7163.

IN THE MATTER OF THE APPLICATION OF SNOW MOUNTAIN WATER  
AND POWER COMPANY FOR AN ORDER AUTHORIZING THE  
ISSUE OF PREFERRED STOCK.

Application No. 5309.

Decided February 26, 1920.

Applicant authorized to issue \$1,500,000 par value of its 6 per cent cumulative preferred stock, to be sold at not less than 95, the proceeds thereof to be used to discharge a note in the sum of \$55,000, the balance to pay for the construction of a dam and other improvements to its hydroelectric system.

*Pillsbury, Madison & Sutro*, by *H. D. Pillsbury*, for Applicant.

*LOVELAND*, Commissioner.

## OPINION.

Snow Mountain Water and Power Company asks permission to issue 15,000 shares (\$1,500,000) of 6 per cent cumulative preferred stock at \$95 per share for the purpose of securing funds to pay for the construction of a dam and other improvements.

The Snow Mountain Water and Power Company was organized on or about February 14, 1906, with an authorized stock issue of \$5,000,000, divided into 50,000 shares of \$100 each. On February 7, 1920, the stockholders authorized an increase in the company's stock from \$5,000,000 to \$10,000,000 divided into \$8,500,000 of common and \$1,500,000 of 6 per cent cumulative preferred.

The testimony of W. S. Graham in Case No. 483, *Town of Ukiah vs. Snow Mountain Water and Power Company*, shows that approximately \$1,300,000 of cash was invested in applicant's properties up to December 1, 1913. Since then, reports filed with the Commission show an additional investment of about \$104,000, making a total of \$1,404,000. The record in Case No. 483 shows that applicant sold \$1,250,000 of 5 per cent bonds at 96, netting \$1,200,000. On December 31, 1919, applicant reports \$1,176,000 of bonds and \$4,300,000 of common stock outstanding. All of the bonds and stock were issued prior to March 23, 1912, the effective date of the Public Utilities Act. In 1918, applicant levied an assessment of \$5 per share upon its stockholders, realizing from such assessment the sum of \$215,000, which was used to pay current indebtedness, incurred to pay for additions and betterments and meet sinking fund payments. From 1913 to 1919, both years inclusive, applicant has included in operating expenses for depreciation purposes approximately \$30,000 a year, or a total of \$210,000, of which about \$150,000 was earned. I do not believe that it is necessary for the purpose of this proceeding to have an appraisal of applicant's properties made, because I feel that the present value of such properties is in excess of the company's bonded debt and that the expenditures

herein proposed will result in a material increase in applicant's earnings.

The testimony of W. S. Graham in this proceeding shows that the company ever since 1908 has been operating at a great disadvantage, inasmuch as it has had no main storage. Because of the lack of a proper storage reservoir, the output of applicant's power plant during July, August, September, October and November of each year has been very small. It is able to operate throughout the year only because of a reciprocal contract with Pacific Gas and Electric Company. During the periods of low water, applicant obtains electrical energy from Pacific Gas and Electric Company, and during the periods of the year when it is able to operate its power plant at full capacity, it delivers electrical energy to the Pacific Gas and Electric Company.

The record herein shows that applicant has undertaken the construction of a concrete dam at a point in Lake County, California, known as the "Gravelly Dam Site." Through the construction of this dam, a reservoir having a capacity of about 73,000 acre-feet will be created. The contract providing for the construction of the dam calls for its completion on December 1, 1920, though the penalties referred to in the contract do not become effective until February 1, 1921. Upon the completion of the dam, applicant reports that it will have sufficient water to operate its power plant at full capacity throughout the entire year.

In addition to building the dam, applicant intends to make changes in its power house which will bring the efficiency up from less than 60 per cent to 85 per cent. Applicant reports that the cost of constructing the dam, make the desired changes in its present plant, and clear the reservoir site with the expenses incidental thereto, will not exceed \$1,500,000.

Applicant estimates that as a result of an expenditure of not exceeding \$1,500,000, it can increase its gross earnings from \$127,648.53, the estimate for 1920, to \$250,400, the estimate for 1921, while its surplus earnings will show an increase of \$103,048.29.

The record shows that arrangements have been made for the sale of any part of the \$1,500,000 of stock which may not be taken by applicant's stockholders, who have signified a willingness to take at least \$860,000 of the stock.

Applicant reports that on December 31, 1919, it issued to Anglo-California Trust Company a \$55,000 one-day 5 per cent note, and has used the moneys obtained through the issue of the note to pay for preliminary work, such as making roads, surveys and like purposes, necessary to the construction of the dam to which reference has been made. Applicant asks permission to use moneys secured through the sale of stock to pay the note.

I herewith submit the following form of order :

**ORDER.**

Snow Mountain Water and Power Company having applied to the Railroad Commission for permission to issue \$1,500,000 of its 6 per cent cumulative preferred stock, a public hearing having been held, and the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for by such issue, is reasonably required for the purpose or purposes specified in this order and that the expenditures for such purpose or purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income ;

*It is hereby ordered*, that Snow Mountain Water and Power Company be, and it is hereby, granted authority to issue and sell for cash, on or before December 31, 1920, at not less than \$95 per share, 15,000 shares (\$1,500,000) of its 6 per cent cumulative preferred stock, and use the proceeds for the purpose of paying for the construction of the dam and other improvements referred to in the petition and testimony herein, and the payment of a \$55,000 one-day 5 per cent note due Anglo-California Trust Company; provided—

Snow Mountain Water and Power Company will keep such record of the issue and sale of the stock herein authorized and of the disposition of the proceeds as will enable it to file, on or before the twenty-fifth day of each month, a verified report, as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-sixth day of February, 1920.

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DECISION No. 7164.

IN THE MATTER OF THE APPLICATION OF WESTERN STATES GAS AND ELECTRIC COMPANY, A CORPORATION, FOR AN ORDER AUTHORIZING THE ISSUE OF PREFERRED STOCK OF THE PAR VALUE OF ONE HUNDRED SEVENTY-EIGHT THOUSAND DOLLARS.

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Application No. 3374.

Decided February 26, 1920.

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BY THE COMMISSION.

**THIRD SUPPLEMENTAL ORDER.**

Whereas, the Railroad Commission, by Decision No. 5100, dated February 4, 1918, authorizezd Western States Gas and Electric Company to issue \$178,000 of its 7 per cent preferred capital stock and to use

the proceeds from the sale of the stock to pay current indebtedness as from time to time authorized by the Commission; and

Whereas, the Railroad Commission has heretofore authorized the expenditure of \$27,500 of said proceeds; and

Whereas, applicant reports that it has expended from November 30, 1916, to December 31, 1919, for the purpose of constructing extensions, additions and betterments to its plant, the sum of \$56,191.80; that the Commission has never authorized the use of proceeds from the sale of stock, bonds or notes to pay such construction expenditures; that such construction expenditures represent proper additions to capital account and that therefore applicant should be permitted to use \$56,191.80 obtained from the sale of its preferred stock to reimburse its treasury; and

Whereas, the engineering department of the Commission finds that applicant's reported expenditures are proper and reasonable, and it appearing to the Railroad Commission that applicant's request should be granted, provided it use the \$56,191.80 to pay current indebtedness; now, therefore,

*It is hereby ordered*, that Western States Gas and Electric Company be, and it is hereby, authorized to use \$56,191.80 obtained from the sale of preferred stock, the issue of which was authorized by Decision No. 5100, dated February 4, 1918, to reimburse its treasury on account of the construction of extensions, additions and betterments to plant, provided that said \$56,191.80, after the reimbursement of applicant's treasury, is used by applicant within thirty days after the date hereof to pay current indebtedness.

*It is hereby further ordered*, that the order in Decision No. 5100, dated February 4, 1918, as amended, shall remain in full force and effect, except as modified by this third supplemental order.

Dated at San Francisco, California, this twenty-sixth day of February, 1920.

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DECISION No. 7165.

IN THE MATTER OF THE APPLICATION OF MOUNT TAMALPAIS AND  
MILL WOODS RAILWAY TO INCREASE RATES AND REDUCE  
SERVICE.

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Application No. 5211.

Decided February 27, 1920.

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Applicant, operating transportation service for tourist travel to the summit of Mount Tamalpais, is authorized to discontinue carrying local passengers between Mills Valley and Lee street on its through trains, due to the heavy grades upon which such trains are required to stop to discharge and take on passengers. Application for permission to increase passenger rates and reduce service granted.

*Thomas, Beedy & Lanagan*, by *Mr. Thomas*, for Applicant.  
*John F. Barnett*, for Citizens Committee of Mill Valley.

BY THE COMMISSION.

**OPINION.**

On December 27, 1919, the Mount Tamalpais and Muir Woods Railway filed an application for authority to increase the through passenger fares between Mill Valley and the summit of Mount Tamalpais and Muir Woods; the local fares between Mill Valley and Lee street; abandon passenger trains Nos. 60, 59, 66 and 65 operating between Mill Valley and Lee street, and discontinue entirely the carrying of local passengers on what are known as the mountain trains, except that on weekdays the train connecting with the 9.45 a.m. ferryboat from San Francisco will continue to serve the local traffic.

The application sets forth that with the exception of train No. 66 none of these local trains connect with trains of the Northwestern Pacific, and that the financial results from all of them are unprofitable.

It is proposed to increase the one-way fare between Mill Valley and Lee street from 5 to 10 cents, sell individual monthly commutation tickets, good for 26 round trips, for \$3.25, or 6½ cents per ride, family 20-ride tickets for \$1.50, or 7½ cents per ride, and 20-ride tickets for children for \$1, or 5 cents per ride. It is also proposed to increase the one-way fare between Mill Valley and Muir Woods, West Point and Mount Tamalpais 30 cents, the round trip 50 cents, and the joint fare to Mount Tamalpais via Muir Woods 60 cents one way and 80 cents round trip.

The application alleges that the main line trains from Mill Valley to the summit of Mount Tamalpais and to Muir Woods are patronized exclusively by tourists and that there are no patrons dependent upon them for regular transportation.

The instant application is in reality a continuation of Application No. 4262 (16 C. R. C. 848), wherein authority was sought to discontinue entirely the local trains between Mill Valley and Lee street, upon the claim that the service was being rendered at a loss and had been operated at a loss since its beginning. In denying Application No. 4262 the Commission said:

That the percentage of net profit earned upon its total investment is not a reasonable nor a fair and adequate compensation. \* \* \*. It has not been shown that the service furnished by the "Lee street local" can not be operated except at a loss. Applicant has not yet placed before this Commission any application for a reduction or rearrangement of schedule on the basis of conserving operating expense, neither has any request for an increase in rates been made. Either a readjustment or diminution of schedule or an increase in rates, or a possible combination of both, present possibilities of reducing the deficit or of eliminating it entirely.

This application sets forth that following the suggestions made by the Commission, numerous conferences were had with committees of its patrons, and the changes now proposed in the fares and the elimination of the local trains between Mill Valley and Lee street had been



agreed to. The only point upon which there is still disagreement is in connection with the local service on the mountain trains.

The instant application was set for hearing before Examiner Satterwhite at San Francisco, February 5, 1920, but owing to the illness of attorneys for both the company and the protestants, an adjourned hearing was held February 11, and the case is now ready for a decision.

This applicant has been before the Commission on numerous occasions in the past in proceedings involving valuation, stock issues and the adjustment of fares and train services:

Application No. 437, 2 C. R. C. 610, April 12, 1913;  
Application No. 437, 6 C. R. C. 910, May 10, 1915;  
Application No. 1380, 5 C. R. C. 666, Oct. 26, 1914;  
Application No. 1384, 5 C. R. C. 733, Nov. 19, 1914;  
Application No. 1384, 5 C. R. C. 950, Dec. 24, 1914;  
Application No. 1898, 8 C. R. C. 552, Nov. 30, 1915;  
Application No. 3272, 14 C. R. C. 670, Dec. 6, 1917;  
Application No. 4262, 16 C. R. C. 843, June 5, 1919.

It would be idle to again recite the history of the railway, or to make any further detailed analysis of the valuations of the property or its net income, the subject having been dealt with in great detail in the different decisions. It is sufficient to say that for the calendar year 1919 the railway operating income of \$12,055.03 showed no improvement over the average for the previous years. This is less than 3 per cent on the depreciated value of the railroad operating property, which previous investigation shows to be in excess of \$450,000. The unsatisfactory results are due to a decline in traffic and to a heavy increase in operating expenses. In 1919 the operating expenses were \$19,368.14 in excess of the year 1918, chargeable principally to the costs of fuel oil, materials and labor.

The testimony of applicant's witnesses showed that in the distance of 1.12 miles between Mill Valley and Lee street, where authority is sought to discontinue carrying local passengers on the mountain trains, there are five stops, some of them on 7 per cent grades; also that during the entire year of 1919 but \$68.60 was collected from the local passengers traveling on the mountain trains between these points. Trains going to Mount Tamalpais are usually heavily loaded, run under five minute headways in sections of two or more trains, and the general manager of the company stated in his testimony that the stopping of the trains to let off local passengers was extremely dangerous. The amount collected annually would indicate that there is no real demand for the service.

Protestants evidenced a desire to cooperate, there being no opposition to the discontinuance of the four trains referred to in the application, the objections at the hearing being directed to the rule providing that

coupons from the 20-ride tickets would only be accepted when presented in connection with the book. This, it is claimed, would discourage travel. It was also contended that the mountain trains provide accommodations on Sundays and holidays, which should not be taken away. However, it was admitted, and the train collections so indicated, that the local people prefer to walk the short distance rather than pay a fare on the crowded mountain trains, using them only in cases of emergency.

The Mount Tamalpais and Muir Woods Railway was constructed to serve tourists and pleasure seekers and has never developed any commercial traffic, unless the service between Mill Valley and Lee street, a distance of 1.12 miles, may now be considered of such importance as to constitute a public convenience and necessity. The company, however, provides and will continue the local cars upon reduced schedules satisfactory to its patrons. This local service during the entire year of 1919 produced but \$2,316.18, which the testimony in this proceeding, and in Application No. 4262, *supra*, demonstrated conclusively was not sufficient to meet even direct operating expenses. The stopping of the mountain trains at points between Mill Valley and Lee street on Sundays and holidays appears to be unnecessary and, being surrounded with certain elements of danger by reason of the severe grades encountered, should be discontinued.

Sale of 20-ride tickets is intended to encourage residents to use the local Lee street service who might otherwise walk because of the short distances involved, and for this reason it would appear more satisfactory results would obtain both to the company and its patrons if the proposed restrictions on these tickets were removed, and it will be so ordered.

Upon consideration of all the evidence, we find as a fact that the present passenger fares are unremunerative and are of the opinion that the application should be granted, with the exception that the 20-ride tickets, instead of being sold in books under the rule requiring presentation of the book with each coupon, shall be sold in strips of 20 tickets for \$1.50, tickets to be honored whenever presented.

#### ORDER.

The Mount Tamalpais and Muir Woods Railway having petitioned the Railroad Commission for an order authorizing the discontinuance of certain local passenger trains between Mill Valley and Lee street, and discontinuing entirely the carrying of local passengers on through mountain trains, except that on weekdays the train connecting with the 9.45 boat from San Francisco will continue to stop; also petitioning for certain increases in fares, as set forth in the exhibit attached to the application and as referred to in the opinion, and the matter having been duly heard and submitted, the Commission being fully advised,

and basing its order on the finding of fact as set forth in the preceding opinion:

*It is hereby ordered*, that this application be and the same is hereby granted, with the exception that the adult and childrens' reduced fare tickets shall be sold in strips of twenty instead of in coupon books, single tickets to be honored when presented.

Dated at San Francisco, California, this twenty-seventh day of February, 1920.

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DECISION No. 7166.

IN THE MATTER OF THE APPLICATION OF LOS ANGELES AND SANTA BARBARA MOTOR EXPRESS COMPANY, A CORPORATION, FOR AUTHORITY TO ISSUE STOCK.

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Application No. 5325.

Decided February 27, 1920.

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W. Cloyd Snyder, for Applicant.

BRUNDIGE, Commissioner.

**OPINION.**

Los Angeles and Santa Barbara Motor Express Company asks authority to issue, and sell at par, \$25,000 of its common capital stock.

In Decision No. 7133, dated February 13, 1920, the Railroad Commission granted C. T. Mayo, E. D. Stuart, J. S. Hunter and W. P. Wilson, copartners doing business under the fictitious name of "Los Angeles and Santa Barbara Motor Express," to sell and transfer to Los Angeles and Santa Barbara Motor Express Company, rights and privileges to operate an auto freight and express line between Santa Barbara and Los Angeles.

The record shows that applicant will require about \$14,000 to purchase necessary automobile equipment, stationery and office supplies, pay organization expenses and provide itself with some working capital.

The partnership referred to above, according to the testimony, is unable, with its two trucks now in operation, to handle the business offered.

Of the \$14,000, about \$12,070 will be used by applicant to purchase automobile equipment, and the remainder to acquire office furniture, stationery and supplies, pay organization expenses and provide applicant with some working capital.

Applicant has made arrangements to purchase a two and one-half ton Mack, and a three and one-half ton Mack, truck, subject to the terms of conditional sale agreements, copies of which are attached to the petition herein. The total cost of the two trucks is reported at \$9,465.45,

of which \$2,600 must be paid in cash and the remainder in monthly installments of \$400 each, the first installment payment being due March 24, 1920. Inasmuch as the installment payments extend over a period of one year, the execution of the conditional sale agreement must be authorized by the Railroad Commission.

The order herein will permit applicant to sell the \$25,000 of stock applied for, subject to the condition that at least \$11,000 of the proceeds be not expended except for such purposes as the Railroad Commission may hereafter authorize by supplemental order or orders in this proceeding.

I herewith submit the following form of order:

**ORDER. .**

Los Angeles and Santa Barbara Motor Express Company, having applied to the Railroad Commission to issue \$25,000 of stock, a public hearing having been held, and the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for through the issue of \$14,000 of said stock is reasonably required by applicant, and that the proceeds from the remaining \$11,000 of said stock should be expended only for such purposes as the Railroad Commission may hereafter authorize;

*It is hereby ordered*, that Los Angeles and Santa Barbara Motor Express Company be, and it is hereby, granted authority to issue \$25,000 of its common capital stock, and execute conditional sale agreements substantially in the same form as the agreements attached to the petition herein, such agreements constituting evidences of indebtedness aggregating \$6,465.45.

The authority herein granted is subject to the following conditions:

1. The stock herein authorized to be issued shall be sold by applicant for cash at not less than \$100 per share net to the company.
2. Of the proceeds, approximately \$14,000 may be used to acquire three auto freight trucks, one pick-up and delivery truck, and two automobiles to solicit business, all of which are referred to in the testimony herein; to pay organization expenses; to purchase necessary office furniture and supplies, and to provide applicant with some working capital, as more particularly set forth in Exhibit "C" attached to the petition herein.
3. The remainder of the proceeds obtained from the sale of the stock, approximately \$11,000, shall be held in a special fund and expended only for such purposes as the Railroad Commission may authorize in supplementary order or orders in this proceeding.
4. The approval herein given of said conditional sale agreements is for the purpose of this proceeding only and an approval in so far as this Commission has jurisdiction under the terms of the Public Utilities

Act, and is not intended as an approval of said conditional sale agreements as to such other legal requirements to which said conditional sale agreements may be subject.

5. Los Angeles and Santa Barbara Motor Express Company shall keep such record of the issue of all stock and evidences of indebtedness herein authorized and of the disposition of the proceeds as will enable it to file, on or before the twenty-fifth day of each month, a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

6. The authority herein granted will not become effective until applicant has paid the fee prescribed in the Public Utilities Act.

7. The authority herein granted will apply only to such stock as may be issued and to such conditional sale agreements as may be executed on or before November 15, 1920.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-seventh day of February, 1920.

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#### DECISION No. 7167.

IN THE MATTER OF THE APPLICATION OF DEATH VALLEY RAILROAD COMPANY FOR AN ORDER AUTHORIZING THE ISSUE AND SALE OF CAPITAL STOCK.

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Application No. 5264.

Decided February 27, 1920.

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*U. S. Miller and H. Escherich, for Applicant.*

*BRUNDIGE, Commissioner.*

#### OPINION.

Death Valley Railroad Company asks permission to issue \$3,500 of its common stock to reimburse its treasury for amounts taken from income and disbursed for additions and betterments to its property.

Applicant reports that up to December 31, 1919, it expended for additions and betterments the sum of \$3,537.99, against which no stock or bonds have been issued.

In Exhibit No. 2, applicant reports assets and liabilities as follows:

<i>Asset Accounts.</i>	
Road and equipment.....	\$408,139 59
Cash .....	170,642 21
Accounts receivable .....	1,072 66
Materials and supplies.....	4,606 07
Unamortized discount on funded debt.....	11,552 43
Suspense .....	219 68
Total assets.....	\$596,232 64

*Liability Accounts.*

Capital stock outstanding-----	\$221,100 00
Bonds outstanding-----	220,124 00
Current liabilities-----	5,523 56
Accrued interest-----	3,585 87
War revenue tax collection-----	835 81
Tax suspense-----	92 00
Account depreciation—road-----	134,169 37
Account depreciation—equipment-----	8,742 24
Profit and loss-----	2,059 79
Total liabilities-----	\$596,232 64

Practically all of applicant's outstanding stock is owned by Borax Consolidated, Limited, of London, England, which will purchase at par the \$3,500 of stock for which applicant now seeks permission to issue.

I herewith submit the following form of order:

**ORDER.**

Death Valley Railroad Company having applied to the Railroad Commission for permission to issue \$3,500 par value of stock, a public hearing having been held, and the Railroad Commission being of the opinion that the money, property, or labor to be procured by such issue is reasonably required by applicant and that this application should be granted;

*It is hereby ordered*, that Death Valley Railroad Company be, and it is hereby, granted authority to issue and sell on or before October 1, 1920, to Borax Consolidated, Limited, of London, England, at not less than par, \$3,500 of its capital stock, and use the proceeds to reimburse its treasury; provided, that Death Valley Railroad Company shall keep such record of the issue and sale of the stock and of the disposition of the proceeds as will enable it to file, on or before the twenty-fifth day of each month, a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-seventh day of February, 1920.

## DECISION No. 7170.

IN THE MATTER OF THE APPLICATION OF WHITTIER HOME TELEPHONE AND TELEGRAPH COMPANY FOR AN ORDER EXTENDING TIME FOR COMPLIANCE WITH CHAPTER 499, LAWS OF 1911, AS AMENDED BY CHAPTER 600, LAWS OF 1915.

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Application No. 2343.

Decided February 27, 1920.

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BY THE COMMISSION.

**SECOND SUPPLEMENTAL ORDER.**

The Railroad Commission on July 17, 1918, having issued its Decision No. 5600 and first supplemental order in the above entitled proceeding, granting to Whittier Home Telephone and Telegraph Company an extension of time to and including June 30, 1919, to reconstruct its existing system so as to comply completely with the provisions of chapter 499, Laws of 1911, as amended by chapter 600, Laws of 1915; and

Petitioner having on January 13, 1920, filed its second supplemental application setting forth that all of the reconstruction required under the provisions of said laws has been completed, excepting the correction of 302 infractions existing along Philadelphia street between Painter avenue and Whittier avenue, a distance of nine blocks; that no hazardous conditions exist in these infractions remaining to be corrected; that the construction of certain underground conduit into which underground cables are to be drawn has been completed, and that upon the completion of the placing of said underground cables the overhead construction in which said remaining infractions exist will be removed and said infractions thus corrected; that certain street improvements are being contemplated which, if carried through, will necessitate the abandonment of petitioner's present central office building for a different location; that the completion of said underground cable construction prior to such removal of its central office would result in an estimated expenditure of \$500 in the removal of remaining infractions, which expenditure would be unnecessary if the completion of said underground construction were deferred until after the removal of its central office; and asking for a further extension of one year within which to correct all remaining infractions; and it appearing to the Railroad Commission that this is not a case in which a public hearing is necessary and that this supplemental application should be granted;

*It is hereby ordered*, that the supplemental application herein be and it is hereby granted; provided, that progress reports, as provided for in Decision No. 5600, shall be filed with the Railroad Commission for

each successive period of six months subsequent to June 30, 1919, to and including June 30, 1920, in the manner as therein provided.

Dated at San Francisco, California, this twenty-seventh day of February, 1920.

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DECISION No. 7191.

IN THE MATTER OF THE APPLICATION OF SIERRA AND SAN FRANCISCO POWER COMPANY, A CORPORATION, AND THE PACIFIC GAS AND ELECTRIC COMPANY, A CORPORATION, FOR AN ORDER OF THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA, AUTHORIZING THE SIERRA AND SAN FRANCISCO POWER COMPANY TO LEASE TO THE PACIFIC GAS AND ELECTRIC COMPANY ALL ITS PROPERTIES, FRANCHISES AND PERMITS, USED OR USEFUL IN ITS BUSINESS OF GENERATING, DISTRIBUTING AND SELLING ELECTRIC ENERGY AND IN ITS BUSINESS OF IMPOUNDING, DISTRIBUTING AND SELLING WATER.

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Application No. 5146.

Decided February 28, 1920.

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BY THE COMMISSION.

**FIRST SUPPLEMENTAL ORDER.**

Whereas, the Railroad Commission by Decision No. 7032, dated January 17, 1920, authorized Sierra and San Francisco Power Company to lease its properties to Pacific Gas and Electric Company pursuant to the terms and conditions of the lease filed in the above entitled matter and marked Exhibit "D"; and

Whereas, said lease provides, among other things, that the value of certain properties to be sold by Pacific Gas and Electric Company to Sierra and San Francisco Power Company and the value of certain properties to be sold by Sierra and San Francisco Power Company to Pacific Gas and Electric Company shall be determined within sixty days from the date of the lease; and

Whereas, applicants have filed a supplemental petition in the above entitled matter wherein they ask permission to modify the lease so as to permit the value of said properties to be determined at any time on or before March 31, 1920, and the Commission being of the opinion that applicant's request should be granted; now, therefore,

*It is hereby ordered*, that Sierra and San Francisco Power Company and Pacific Gas and Electric Company be, and they are hereby, authorized to modify the lease executed pursuant to the authority granted in Decision No. 7032, dated January 17, 1920, so as to permit the value of certain properties to be sold by Pacific Gas and Electric Company to Sierra and San Francisco Power Company, and the value of certain properties to be sold by Sierra and San Francisco Power Company to Pacific Gas and Electric Company to be determined at any time on or before March 31, 1920.



*It is hereby further ordered*, that the order in Decision No. 7032, dated January 17, 1920, shall remain in full force and effect except as modified by this first supplemental order.

Dated at San Francisco, California, this twenty-eighth day of February, 1920.

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DECISION No. 7192.

IN THE MATTER OF THE APPLICATION OF SOUTHERN CALIFORNIA EDISON COMPANY, A CORPORATION, FOR AUTHORITY TO ISSUE AND SELL BONDS TO THE AMOUNT OF SEVEN MILLION FIVE HUNDRED THOUSAND DOLLARS FACE VALUE.

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Application No. 5119.

Decided March 1, 1920.

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BY THE COMMISSION.

**FOURTH SUPPLEMENTAL ORDER.**

Whereas, the Railroad Commission by Decision No. 6864, dated November 24, 1919, as amended from time to time, authorized applicant to issue and sell \$7,500,000 of bonds at not less than 91 per cent of their face value plus accrued interest, and expend \$5,829,373.75 of the proceeds; and

Whereas, applicant reports that during January, 1920, it has expended for new construction the sum of \$1,010,659.11, as set forth in the statement attached to the fourth supplemental petition in the above entitled matter, and therefore asks permission to withdraw from the special fund created as a result of the sale of said \$7,500,000 of bonds, the sum of \$630,209.34, and the Commission being of the opinion that applicant's request should be granted as herein provided; now, therefore,

*It is hereby ordered*, that Southern California Edison Company be, and it is hereby, granted authority to withdraw \$630,209.34 from the special trust fund created through, and as a result of, the sale of \$7,500,000 of bonds, the issue of which was authorized by Decision No. 6864, dated November 24, 1919, to pay for and finance in part the cost of the properties set forth in the statement attached to the fourth supplemental petition in the above entitled matter.

*It is hereby further ordered*, that Decision No. 6864, dated November 24, 1919, as amended, shall remain in full force and effect, except as modified by this fourth supplemental order.

Dated at San Francisco, California, this first day of March, 1920.

## DECISION No. 7195.

IN THE MATTER OF THE APPLICATION OF CHARLES G. PATRICK AS  
RECEIVER OF IMPERIAL UTILITIES CORPORATION FOR AN  
ORDER AUTHORIZING THE ISSUE OF PROMISSORY NOTES ON  
BEHALF OF SAID CORPORATION.

Application No. 5262.

Decided March 2, 1920.

*L. M. Chapman*, for Applicant.

BY THE COMMISSION.

## OPINION.

Charles G. Patrick, receiver of the properties of Imperial Utilities Corporation, asks permission to issue 7 per cent unsecured notes in the aggregate sum of \$14,040.67, payable in monthly installments of \$1,000 each, the first payment being due April 1, 1920.

A public hearing was held by Examiner Westover at Los Angeles.

Imperial Utilities Corporation, prior to the appointment of a receiver on December 2, 1919, was engaged in operating water plants at Calipatria and Niland, Imperial County, at Monterey Park, a suburb of Los Angeles, and at Barstow, San Bernardino County, and was also engaged in the manufacture and sale of ice at Barstow. A report filed with the Commission shows that the company during 1919 had 206 consumers at Barstow, 230 at Calipatria, 26 at Niland, and 892 at Monterey Park.

Applicant reports that from December 31, 1918, to December 31, 1919, extensions, additions and betterments to plant, costing \$26,864.92, were installed. The record shows that the stockholders had planned to finance the cost of such additions to capital through advances or assessments upon capital stock, but that disagreements occurred as to carrying out such plan, which finally resulted in the filing of a friendly suit by a majority of the bondholders to foreclose the mortgage securing the payment of \$93,500 face value of bonds.

It appears from the testimony that an agreement has been reached between the plaintiff in the foreclosure proceeding, the receiver and the unsecured creditors, by which, subject to the approval and authority of the superior court in and for San Bernardino County, which appointed the receiver, and of the Commission, the receiver will issue notes to the respective creditors for the face value of their claims aggregating \$14,040.67. The notes so issued are to be paid at the rate of \$1,000 per month, beginning April 1, 1920, the payments to be prorated among the holders of the notes in proportion to the face value of their respective notes. The testimony further shows that the plaintiff in the foreclosure suit has agreed to dismiss the action as soon as the proposed notes in favor of unsecured creditors are paid.

**ORDER.**

Charles G. Patrick, receiver of the properties of Imperial Utilities Corporation, having applied to the Railroad Commission for permission to issue notes in the amount of \$14,040.67, a public hearing having been held, and the Railroad Commission being of the opinion that the money, property or labor to be procured by such issue is reasonably required by applicant and that this application should be granted subject to the conditions of this order;

*It is hereby ordered*, that Charles G. Patrick, receiver of the properties of Imperial Utilities Corporation, be, and he is hereby, authorized to issue not exceeding \$14,040.67 face value of unsecured notes with interest at the rate of 7 per cent per annum from December 2, 1919, for the purpose of paying or refunding the claims of creditors, the principal amounts and payees of said notes to be as shown on schedule attached hereto, said notes to be payable in monthly installments commencing the first day of April, 1920, aggregating \$1,000 per month, and prorated among the respective creditors in proportion to the claims of each; provided,

1. That the authority herein granted will not become effective until applicant has paid the fee prescribed in the Public Utilities Act nor until the issue of such notes has been authorized by the superior court of San Bernardino County.

2. That Charles G. Patrick or Imperial Utilities Corporation shall keep such record of the issue and sale of the notes herein authorized and of the disposition of the proceeds as will enable him or it to file on or before the twenty-fifth day of each month a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

3. That the authority herein granted will apply only to such of said notes as may be issued on or before July 1, 1920.

Dated at San Francisco, California, this second day of March, 1920.

**Schedule of Notes Authorized by Order in Application No. 5265.**

Payee	Amount
Acme White Lead and Color Works.....	\$12 52
Adams Pipe Works.....	832 50
American Pump Company.....	29 18
Atchison, Topeka and Santa Fe Railroad Company.....	194 13
Barker Brothers.....	114 54
Barstow Garage.....	115 23
Barstow Printer.....	4 00
W. W. Brison.....	40 00
The Bristol Company.....	45 38
Louis S. Brown Company, Incorporated.....	14 52
Buffalo Meter Company.....	17 10
Calipatria Garage.....	10 15
Collins & Webb, Incorporated.....	76 35
Crane Company.....	1,400 48

## Schedule of Notes Authorized by Order in Application No. 5265—Continued.

Payee	Amount
R. M. Dillingham	100 25
Dunham, Carrigan & Hayden Company	31 70
Edgar Brothers Company	16 10
Fairbanks, Morse & Company	23 13
Adolf Frese Optical Company	28 00
The Garlock Packing Company	12 39
C. M. Gay & Son	140 67
General Electric Company	172 90
Golden State Portland Cement Company	579 97
R. G. Hillman	21 95
Hoyt, Gibbons, French & Henley, and Hoyt, Norcross, Thatcher, Woodburn & Henley	350 00
Hammond Lumber Company	271 95
Haskins & Sells	545 00
Hersey Manufacturing Company	258 64
Holton Power Company	101 26
Interstate Telephone and Telegraph Company	37 70
Imperial Valley Hardware Company	122 66
Imperial Water Company No. 3	120 44
International Electric Company	185 50
International Sales Company	51 84
T. A. Johnson	15 00
Layne & Bowler Corporation	10 48
A. V. Linkletter	3 60
Los Angeles Rubber Company	11 75
Luitwieler Pumping Engine Company	313 09
Mellus Brothers & Company	2 51
Motor Securities Company	67 62
H. Mueller Manufacturing Company	453 60
Neptune Meter Company	650 16
Nelson & Price, Incorporated	84 55
Olsen Lumber Company	15 45
Pacific Mill and Mine Supply Company	2 97
Pacific Ammonia and Chemical Company	315 00
Pacific Telephone and Telegraph Company	18 90
Parker Iron Works	354 18
Patten & Davies Lumber Company	158 64
Puckett's Ford Agency	20 64
Ramona Acres Progress	15 00
The Santa Fe Magazine	40 00
Southern California Edison Company	483 04
The Southern Sierras Power Company	1,826 62
Standard Oil Company	260 60
Southern Pacific Company	5 00
Simpson & Noffsinger	9 61
Tarr & McComb	1,929 57
Thomson Meter Company	6 61
The Tire Shop	12 00
Union Hardware and Metal Company	311 31
Union Oil Company of California	165 48
Warren & Bailey	62 89
Watkins & Nutbrown	7 05
Western Pipe and Steel Company	28 71
Western Wholesale Drug Company	38 00
Wheeler Brothers & Pierce, Incorporated	207 19
E. L. White	20 10
Wilgus Manufacturing Company	14 56
Chas. W. Winter	4 80
The Worthington Company, Incorporated	9 26
	<hr/>
	\$14,040 67

## DECISION No. 7196.

IN THE MATTER OF THE APPLICATION OF DEATH VALLEY RAILROAD  
COMPANY FOR AN ORDER AUTHORIZING THE ISSUE AND SALE  
OF CERTAIN STOCK.

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Application No. 2073.

Decided March 2, 1920.

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BY THE COMMISSION.

**FOURTH SUPPLEMENTAL ORDER.**

Whereas, the Railroad Commission on February 14, 1916, by Decision No. 3099 (Vol. 9, Opinions and Orders of the Railroad Commission of California, p. 196), authorized applicant to sell at par 239 shares of its capital stock at the par value of \$100 per share for the purpose of retiring on March 1, 1916, 50 of its outstanding bonds of the face value of 100 pounds sterling each, as provided for in applicant's deed of trust securing the payment of said bonds; and

Whereas, the following statement appears in the Commission's decision of February 14, 1916:

Applicant has asked for an order giving it authority to issue and sell in the future additional shares of its capital stock to take care of sinking fund payments as above set forth, as such payments become due. We can not at this time grant such an order; but supplemental orders may be issued hereunder, granting applicant permission, from time to time, to sell its stock for the above mentioned purpose without necessitating the filing of a new formal application or the holding of a formal hearing every year.

and

Whereas, in accordance with the Commission's suggestion, applicant on February 26, 1920, made a written request to the Railroad Commission for authority to sell 414 shares of its capital stock at par for the purpose of retiring 85 of its outstanding bonds of the face value of 100 pounds sterling each; and

Whereas, applicant reports that it will require \$41,395 to retire said 85 bonds, and the Commission being of the opinion that applicant's request should be granted;

*It is hereby ordered*, that Death Valley Railroad Company be, and it is hereby, granted authority to issue and sell to Borax Consolidated, Limited, on or before July 1, 1920, at not less than \$100 per share, 414 shares (\$41,400) of its common capital stock and use the proceeds derived from the sale of said stock to retire 85 of its outstanding bonds of the par value of 100 pounds sterling, due and payable March 1, 1920;

Provided, Death Valley Railroad Company will keep separate, true and accurate accounts showing the receipt and application in detail of the proceeds of the sale of stock herein authorized to be issued, and on or before the twenty-fifth day of each month make verified reports to

the Railroad Commission, all in accordance with the Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

*It is hereby further ordered*, that Decision No. 3099, dated February 14, 1916, as amended, shall remain in full force and effect, except as modified by this fourth supplemental order.

Dated at San Francisco, California, this second day of March, 1920.

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DECISION No. 7202.

IN THE MATTER OF THE APPLICATION OF SWEETWATER WATER COMPANY (A MAINE CORPORATION) TO SELL AND CONVEY, AND OF SWEETWATER WATER CORPORATION (A CALIFORNIA CORPORATION) TO PURCHASE AND ACQUIRE THE ASSETS OF SAID MAINE CORPORATION; AND OF SAID CALIFORNIA CORPORATION TO ISSUE ITS ONE MILLION DOLLARS OF STOCK FOR SAID ASSETS, AND FOUR HUNDRED FIFTY THOUSAND DOLLARS IN BONDS.

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Application No. 5345.

Decided March 2, 1920.

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Sweetwater Company authorized to transfer its water properties to the Sweetwater Corporation, and the latter to issue \$1,000,000 par value of common capital stock in exchange therefor and \$450,000 face value of bonds to be sold at not less than 95, proceeds thereof to be used to discharge indebtedness outstanding against the properties proposed to be transferred. Transfer conditioned upon a stipulation to the effect that the price paid for transferred properties shall never be urged before the Railroad Commission or other rate-fixing bodies as a measure of value for rate-fixing purposes.

*Gibson, Dinnie & Crutcher*, by *J. A. Gibson, Jr.*, and *E. E. Bacon*, for Applicant.

*BRUNDIGE*, Commissioner.

OPINION.

Sweetwater Water Company asks permission to sell all its properties to Sweetwater Water Corporation, a new corporation. The latter joins in the application and asks permission to issue \$1,000,000 of common stock, execute a trust deed or mortgage securing the payment of \$650,000 of 6 per cent serial bonds, and issue \$450,000 of the bonds forthwith.

Sweetwater Water Company reports as of December 31, 1919, \$1,200,000 of common stock, \$132,000 of 6 per cent bonds and \$301,000 of demand notes outstanding. In Decision No. 6286, dated April 24, 1919, in which decision the Commission fixed the rates of Sweetwater Water Company, it appears that the company's engineers estimated the historical cost of the properties as of July 1, 1917, at \$1,673,626, and the present value as of the same date at \$1,241,738, whereas the Commission's engineers, after making an investigation, reported the estimated cost of comparable items at \$1,520,724. The rates fixed by

the Commission are designed to yield gross revenues of \$109,527, which, after deducting estimated operating expenses, leaves a net revenue of \$55,177.

For the two years ending December 31, 1919, Sweetwater Water Company has reported revenues and expenses as follows:

Item	1918	1919
Operating revenues.....	\$97,613 05	\$104,899 42
Operating expenses .....	64,007 98	63,630 05
Net operating revenues.....	\$33,605 07	\$41,269 37
Miscellaneous nonoperating revenues.....	1,722 47	3,040 23
Gross corporate income.....	\$35,327 54	\$44,309 60
Deductions:		
Interest accrued on funded debt.....	\$8,970 00	\$8,280 00
Other interest deductions.....	18,060 09	18,060 84
Miscellaneous nonoperating expenses.....	17 53	1,646 01
Total deductions .....	\$27,047 62	\$27,986 85
Surplus, after paying interest, etc.....	\$8,279 92	\$16,322 75

The record shows that the properties of San Diego Land Corporation, which owns all of the stock of the Sweetwater Water Company, except shares necessary to qualify directors, has recently been sold and that it is largely because of the change in ownership of these properties that a transfer of the properties of Sweetwater Water Company is desirable. The record shows that the new owners have no present intention of introducing any change in either the management or operation of the water properties. The new corporation intends to pay for the properties of the Sweetwater Water Company \$1,000,000 represented by capital stock and assume the payment of all indebtedness. To liquidate the indebtedness so assumed, the Sweetwater Water Corporation asks permission to issue and sell \$450,000 of 6 per cent serial bonds at 95. Arrangements have been made for the sale of the bonds, and it is proposed to use such part of the proceeds as may be necessary to pay the \$132,000 of Sweetwater Water Company bonds outstanding and apply the remainder to the payment of the \$301,000 of demand notes.

The proposed mortgage, which Sweetwater Water Corporation asks permission to execute, provides that \$15,000 face value of bonds shall be paid annually from January 1, 1921, to January 1, 1930, both years inclusive; \$25,000 annually from January 1, 1931, to January 31, 1939, both years inclusive; and \$225,000 on January 1, 1940. The mortgage is to secure the payment of \$600,000 of bonds, \$450,000 of which are to be issued forthwith. The remainder of the bonds may be issued from time to time in an amount not exceeding 75 per cent of the company's

expenditures for additions and betterments, provided that the net income of the company for the twelve months next preceeding an application to the trustee for certification of bonds shall have been at least one and three-fourths times the interest on outstanding bonds, together with the interest on the bonds which the trustee is requested to certify.

On February 20, National City, in which Sweetwater Water Company sells water, filed a protest against the granting of this application unless applicants would stipulate that the price at which the properties are being transferred will not be urged by them at any time as a rate base. At the hearing, both counsel and David Blankenhorn, vice president of Sweetwater Water Corporation, stipulated that if the Commission grant this application, the purchasing company will never claim that the price paid for the properties should be regarded as a rate base. It occurs to me that the position taken by counsel, and by David Blankenhorn, removes all objection to the granting of this application, in so far as National City is concerned, and that the city's interests are properly safeguarded.

I herewith submit the following form of order:

#### ORDER.

Sweetwater Water Company having applied to the Railroad Commission for permission to sell all of its properties to Sweetwater Water Corporation, which has joined in the application and which asks permission to issue \$1,000,000 of stock, execute a mortgage and issue \$450,000 of bonds, a public hearing having been held, and the Commission being of the opinion that the money, property or labor to be procured or paid for by such issue of bonds and stock is reasonably required by Sweetwater Water Corporation, and that the purposes for which such stock and bonds are to be issued are not reasonably chargeable to operating expenses or to income:

*It is hereby ordered*, that Sweetwater Water Company be, and it is hereby, authorized to sell to Sweetwater Water Corporation, all of its property, more particularly described in the indenture filed with the Railroad Commission on February 25, 1920.

*It is hereby further ordered*, that Sweetwater Water Corporation be, and it is hereby, authorized to issue in payment for said properties \$1,000,000 of its common capital stock, assume the payment of the indebtedness of said Sweetwater Water Company, execute a mortgage or deed of trust, substantially in the same form as the mortgage or deed of trust filed in this proceeding securing the payment of \$650,000 of 6 per cent serial bonds, and issue \$450,000 of said bonds.

The authority herein granted is upon the following conditions, and not otherwise:



1. The bonds herein authorized to be issued shall be sold by Sweetwater Water Corporation for not less than 95 per cent of their face value plus accrued interest, and the proceeds used to pay \$132,000 of outstanding Sweetwater Water Company bonds and \$301,000 of Sweetwater Water Company notes, all of which are referred to in the petition herein.

2. The approval herein given of said mortgage or deed of trust is for the purpose of this proceeding only, and an approval in so far as this Commission has jurisdiction under the terms of the Public Utilities Act, and is not intended as an approval of said mortgage or deed of trust as to such other legal requirements to which said mortgage or deed of trust may be subject.

3. The price being paid by Sweetwater Water Corporation for the properties of Sweetwater Water Company, the transfer of which is herein authorized, shall never be urged before this Commission, or any other public body having jurisdiction, as a measure of value of said properties for the purpose of fixing rates or for any purpose other than the transfer herein authorized.

4. Within sixty days after the transfer of the properties herein authorized, Sweetwater Water Corporation shall file with the Railroad Commission a verified copy of the deed under which it obtains title to the properties.

5. Within sixty days after the transfer of the properties herein authorized, Sweetwater Water Corporation shall file with the Railroad Commission for approval copy of all book entries relating to the transfer and purchase of the properties referred to in this order.

6. Sweetwater Water Corporation shall keep such record of the issue and sale of stock and bonds herein authorized, and of the disposition of the proceeds, as will enable it to file, on or before the twenty-fifth day of each month, a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

7. The authority herein granted will not become effective until Sweetwater Water Corporation has paid the fee prescribed in the Public Utilities Act.

8. The authority herein granted will apply only to such properties as may be transferred and to such stock and bonds as may be issued on or before October 1, 1920.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this second day of March, 1920.

## DECISION No. 7209.

IN THE MATTER OF THE APPLICATION OF C. R. SPICKARD AND C. F. CREWS, DOING BUSINESS UNDER THE NAME OF "SHASTA AUTO TRANSPORTATION COMPANY," FOR A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY TO OPERATE AN AUTO STAGE OVER THE PUBLIC HIGHWAYS BETWEEN SACRAMENTO AND REDDING, CALIFORNIA.

## Application No. 4686.

IN THE MATTER OF THE APPLICATION OF SACRAMENTO-REDDING AUTO TRANSPORTATION COMPANY FOR CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY TO OPERATE AN AUTOMOBILE STAGE LINE SERVICE BETWEEN SACRAMENTO, SACRAMENTO COUNTY, AND REDDING, SHASTA COUNTY, AND ALL INTERMEDIATE POINTS OVER AND UPON THE ROUTE HEREIN DESCRIBED, ALL IN THE STATE OF CALIFORNIA.

## Application No. 4684.

IN THE MATTER OF THE APPLICATION OF PICKWICK STAGES, NORTHERN DIVISION, A CORPORATION, FOR A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY TO OPERATE AN AUTOMOBILE STAGE SERVICE BETWEEN SAN FRANCISCO, CALIFORNIA, AND THE CALIFORNIA-OREGON LINE NORTH OF COLE, CALIFORNIA, AND INTERMEDIATE POINTS.

## Application No. 5081.

Decided March 2, 1920.

Petitions for rehearing on behalf of Spickard and Crews and Sacramento-Redding Auto Transportation Company denied on the grounds that the burden of proof that a public demand exists for the service which an auto transportation company proposes to give rests with the applicant, and that the mere desire of the petitioners to operate is not in itself sufficient grounds upon which a certificate will be issued.

Pickwick Stages, Northern Division, granted a certificate permitting the operation of an auto stage line for transportation of passengers between San Francisco and Oregon Line; provided, no local traffic shall be carried between Oakland and Davis.

*N. C. Folsom*, for Pickwick Stages, Northern Division, Applicant.

*W. A. Latta*, for Spickard and Crews, Applicants.

*A. H. Ludeman*, for Sacramento-Redding Auto Transportation Company, Applicant.

*E. B. Austin*, for United States Railroad Administration, Southern Pacific Railroad, Protestant.

*Theo. W. Chester*, for Sacramento Northern Railroad, Protestant.

*Saunders and Rochl*, by *A. B. Rochl*, for Western Motor Transport Company, Protestant.

*Harry A. Encell*, by *Frank M. Smith*, for C. F. Crews.

BY THE COMMISSION.

## ORDER.

C. R. Spickard and C. F. Crews, doing business under the name of "Shasta Auto Transportation Company," have applied for a rehearing on Application No. 4686 for a certificate of public convenience and necessity to operate an auto stage service as a common carrier of passengers between Sacramento and Redding and intermediate points.

Harry Buck, Frank Governor, Wirth Irvin and W. J. Schrader, copartners, proposing to operate under the fictitious name of Sacramento-Redding Auto Transportation Company, have applied for a rehearing on Application No. 4684 for a certificate of public convenience and necessity to operate automobile stage service as a common carrier of passengers between Sacramento and Redding and intermediate points.

Pickwick Stages, Northern Division, a corporation, have applied to the Railroad Commission for an order declaring that public convenience and necessity require the operation by it of an automobile stage line as a common carrier of passengers and express packages between San Francisco and the California-Oregon line, north of Cole, California, and intermediate points.

Public hearings on the petitions for rehearing, and the application of the Pickwick Stages, Northern Division, were held by Examiner Handford at Sacramento and San Francisco, the matters were consolidated for the purpose of receiving evidence, were duly submitted, and are now ready for decision.

Witnesses for applicants Harry Buck, Frank Governor, Wirth Irvin and W. J. Schrader, and for applicants C. R. Spickard and C. F. Crews, testified as to the ability of the respective applicants to satisfactorily furnish a character of service in accordance with the requirements of traffic and the requirements of the Railroad Commission. The only other evidence in behalf of applicants was that of a resident of Sacramento who testified that, in his opinion, additional service between Sacramento and Redding was necessary for the public, and that the proposed stage service would be a convenience for commercial travelers doing business in communities on the west side of the Sacramento Valley.

Pickwick Stages, Northern Division, proposes to charge rates in accordance with a schedule marked Exhibit "A" and filed at one of the hearings in these proceedings, to operate on a schedule of one round trip daily between San Francisco and Portland, Oregon, serving as intermediate the following communities in the State of California: Oakland, Martinez, Benicia, Fairfield, Vacaville, Dixon, Davis, Woodland, Yolo, Blacks, Dunnigan, Arbuckle, Williams, Willows, German town, Corning, Tehama, Proberta, Red Bluff, Cottonwood, Redding, Baird, Delta, Castella, Dunsmuir, Sisson, Weed, Gazelle, Yreka, Montague, Ager, Klamath Hot Springs, Hornbrook and Cole; using as equipment thirteen Pierce-Arrow cars each of nine-passenger capacity, two Pierce-Arrow cars each of twelve-passenger capacity, and two Packard automobiles each of nine-passenger capacity, together with such other equipment as the needs of traffic may require. It is proposed to operate the service between May 1 and October 31 of each year.

and beyond such date provided the weather and road conditions permit operation.

It was stipulated at the first hearing on these proceedings that, as the primary purpose of the proposed line was through service between Portland, Oregon, and San Francisco, California, the privilege of carrying passengers locally between points in California was only desired when empty seats were available in the cars operated by applicant, and that no local business would be sought or handled unless seating capacity was available and was not being used by through passengers. It was further stipulated that no local business was sought between San Francisco and Davis.

Witnesses for applicant, Pickwick Stages, Northern Division, testified as to the inquiries received by agents at ticket offices and by drivers on cars on the line operated by applicant between San Francisco and Los Angeles.

The granting of all the above applications is protested by the United States Railroad Administration on behalf of its lessor, the Southern Pacific Railroad; the granting of the applications of Spickard and Crews, and Buck, Governor, Irvin and Schrader is protested by the Sacramento Northern Railroad as regards the handling of any intermediate or local business between Sacramento and Woodland; the granting of the application of Pickwick Stages, Northern Division, is opposed by Western Motor Transport Company as regards the handling of any business between Oakland and Davis.

The protest of the Sacramento Northern Railroad is eliminated by stipulation of applicants, Spickard and Crews, and Buck, Governor, Irvin and Schrader that no local business is contemplated nor desired between Sacramento and Woodland.

Witnesses for protestant Southern Pacific Railroad testified as to the train schedules and rates available for the public over the routes for which certificates are herein sought; as to the class of equipment now operated and filed as an exhibit, a statement showing the number of passengers handled by trains operated between Davis and Gerber for the week ending February 13, 1920, such statement indicating a total of but 212 passengers southbound on trains numbers 15, 29 and 43, and 181 passengers on northbound trains numbers 30 and 34. Protestant Southern Pacific Railroad claims to furnish adequate transportation at reasonable rates over the territory for which certificates are requested, that the service as now and heretofore rendered has not been the subject of complaint, and that if the demands of traffic warranted, additional service or rearrangement of time schedules would be made to meet the demands of the traveling public. Statistics reflecting

earnings per train mile of local trains in the territory between Davis and Gerber indicate that such trains are operated at a cost in excess of the receipts per train mile. Witnesses for protestant Western Motor Transport Company testified as to the ability of such company to satisfactorily handle any business offered between Oakland and Davis, and that the granting of the certificate desired by applicant Pickwick Stages, Northern Division, would result in the business now handled by the Western Motor Transport Company being unprofitable, and that there was no demand for service between such points which could not be satisfactorily met by the facilities of protestant Western Motor Transport Company.

After careful consideration of all the evidence in this proceeding and of the exhibits filed by protestant Southern Pacific Railroad, we are of the opinion and find as a fact that applicants Spickard and Crews, and applicants Buck, Governor, Irvin and Schrader, have not presented to this Commission on rehearing any facts or evidence which would in any manner justify the granting of the desired applications, and the applications were submitted for decision in the same condition as regards affirmative evidence as was stated by the Commission in its Decision No. 6538:

The desire of applicants for certificates of public convenience and necessity to enter the business of automobile stage transportation is not sufficient to justify the granting of such applications. The Commission will require in applications of this nature an affirmative showing as to the public convenience and necessity to be served or that the service rendered by existing carriers is inadequate, unsatisfactory or in any other manner insufficient.

The service proposed by Pickwick Stages, Northern Division, is an entirely new service offered primarily for the benefit and accommodation of tourists and others who may desire to avail themselves of automobile transportation by an established and competent agency between San Francisco and Portland, Oregon. The service proposed meets a condition not cared for by the facilities of protestant Southern Pacific Railroad. Many persons touring California and the Pacific coast prefer the use of automobile stage transportation in that such method of travel, principally in daylight hours, gives opportunity for the tourist to become more familiar with the territory traversed than is possible by the use of rail lines. We are of the opinion, however, that there is merit in the protest of Western Motor Transport Company as regards the handling of local business between Oakland and Davis and the order in this matter will be conditioned prohibiting the carriage of such local passengers.

The Railroad Commission hereby declares that public convenience and necessity do not require the establishment by Harry Buck, Frank

Governor, Wirth Irvin and W. J. Schrader, a copartnership, proposing to operate under the fictitious name of Sacramento-Redding Auto Transportation Company, of an automobile stage line as a common carrier of passengers between Sacramento and Redding and intermediate points; and

The Railroad Commission hereby declares that public convenience and necessity do not require the operation by C. R. Spickard and C. F. Crews, partners in business, proposing to operate under the name of "Shasta Auto Transportation Company," of an automobile stage line as a common carrier of passengers between Sacramento and Redding and intermediate points; and

The Railroad Commission hereby declares that public convenience and necessity require the operation by Pickwick Stages, Northern Division, of an automobile stage line as a common carrier of passengers and express packages between San Francisco, California, and the California-Oregon line, north of Cole; provided, however, that the authority herein conveyed does not authorize the carriage of any local passengers between Oakland and Davis; that no local passengers are to be carried between Woodland and the California-Oregon line unless vacant seats are available in the equipment operated by applicant and such vacant seats are not required for the accommodation of through passengers between points in the State of California and points in the State of Oregon; and provided, further, that no authority is herein conveyed for the establishment of any local line between any of the intermediate points on the through route herein authorized; and provided, further, that the rights and privileges herein granted may not be transferred nor assigned unless the written consent of the Railroad Commission to such transfer or assignment has first been secured.

*It is hereby ordered*, that the application of C. R. Spickard and C. F. Crews, a partnership, proposing to do business under the name of "Shasta Auto Transportation Company," and of Harry Buck, Frank Governor, Wirth Irvin and W. J. Schrader, a partnership, proposing to operate under the fictitious name of Sacramento-Redding Transportation Company, be and the same hereby are denied; and

*It is hereby further ordered*, that no vehicle may be operated by applicant, Pickwick Stages, Northern Division, a corporation, under the authority conferred by this certificate, unless such vehicle is owned by the applicant herein or is leased by such applicant under a contract or agreement on a basis satisfactory to the Railroad Commission.

Dated at San Francisco, California, this second day of March, 1920.

## DECISION No. 7210.

IN THE MATTER OF THE APPLICATION OF LINDSAY HOME TELEPHONE AND TELEGRAPH COMPANY, A CORPORATION, FOR AN ORDER AUTHORIZING IT TO ISSUE AND SELL TWO THOUSAND NINE HUNDRED DOLLARS FACE VALUE OF SERIES "B" BONDS.

Application No. 5305.

Decided March 4, 1920.

*Sanborn & Rochl*, by *A. B. Rochl*, for Applicant.

BY THE COMMISSION.

## OPINION.

Lindsay Home Telephone and Telegraph Company asks permission to issue \$2,900 face value of Series "B" 6 per cent bonds, and sell the bonds at not less than 93 per cent of their face value plus accrued interest, for the purpose of obtaining moneys to pay indebtedness incurred to finance the construction of additions and betterments and reimburse its treasury.

A public hearing was held before Examiner Westover at San Francisco on February 28.

Applicant reports the cost of additions and betterments to plant during 1919 at \$5,018.93. The petition shows that to finance these improvements, applicant has incurred current liabilities of \$1,712.71, drew upon its reserve for accrued depreciation in the amount of \$2,772.90 and on its surplus in the amount of \$533.32.

Applicant reports assets and liabilities as of December 31, 1919, as follows:

<i>Asset Accounts.</i>	
Plant and equipment-----	\$39,700 23
Gross plant and equipment-----	\$52,194 01
Less reserve for depreciation-----	12,493 78
Current assets-----	995 55
Sinking fund-----	963 75
Unamortized discount on bonds-----	718 50
Total-----	\$42,378 03
<i>Liability Accounts.</i>	
Capital stock outstanding-----	\$25,000 00
Funded debt—first mortgage bonds-----	12,100 00
Bills payable-----	350 00
Accounts payable-----	2,757 76
Surplus-----	2,170 27
Total-----	\$42,378 03

During 1918, applicant, after paying operating expenses, taxes and interest, reported a balance of \$1,894.81, and for 1919, a balance of \$2,033.32. Applicant's surplus earnings for 1919 have been more than sufficient to pay interest on the \$2,900 of bonds which it now desires to issue.

Chas. H. Button, president and manager of Lindsay Home Telephone and Telegraph Company, testified that both the investment of applicant and its earnings are and have been sufficient to permit the trustee to certify the \$2,900 of bonds.

**ORDER.**

Lindsay Home Telephone and Telegraph Company having applied to the Railroad Commission for permission to issue \$2,900 of its "Series B" 6 per cent bonds, a public hearing having been held, and the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose or purposes specified in this order, and that the expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income:

*It is hereby ordered*, that Lindsay Home Telephone and Telegraph Company be, and it is hereby, authorized to issue and sell, on or before September 1, 1920, at not less than 93 per cent of their face value, plus accrued interest, \$2,900 of its "Series B" 6 per cent bonds; provided, that—

1. Applicant will use the proceeds obtained from the sale of the bonds to pay \$350 of indebtedness represented by bills payable, \$1,543.06 of indebtedness represented by accounts payable, all of which is referred to in the testimony herein, and use the remainder of the proceeds to reimburse its treasury.

2. The authority herein granted will not become effective until applicant has paid the fee prescribed by the Public Utilities Act.

3. That Lindsay Home Telephone and Telegraph Company will keep such record of the issue and sale of the bonds herein authorized, and of the disposition of the proceeds, as will enable it to file on or before the twenty-fifth day of each month, a verified report, as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

Dated at San Francisco, California, this fourth day of March, 1920.

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**DECISION No. 7213.**

**IN THE MATTER OF THE APPLICATION OF MONTICELLO STEAMSHIP COMPANY TO INCREASE FREIGHT RATES.**

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**Application No. 4257.**

**Decided March 4, 1920.**

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**BY THE COMMISSION.**

**OPINION AND ORDER UPON PETITION FOR REHEARING.**

Monticello Steamship Company has applied for a rehearing on its Application No. 4257 to increase its freight rates.



Misinterpretation of evidence and failure to give proper weight to certain testimony, as well as error of facts and conclusions of law, are alleged as justifications for a request for rehearing.

A careful consideration of the whole matter, not only as set forth in the petition for rehearing, but also resulting from a further analysis of the majority and minority opinions heretofore rendered upon this application, and the testimony upon which they were predicated, do not, in our judgment, justify granting the petition for rehearing, and it will therefore be denied.

**ORDER.**

Monticello Steamship Company having petitioned for a rehearing on Application No. 4257, and the matter having received careful consideration, as set forth in the opinion preceding this order, and it appearing that good and sufficient reasons for granting said rehearing have not been presented, said rehearing is hereby denied.

Dated at San Francisco, California, this fourth day of March, 1920.

EDWIN O. EDGERTON,  
FRANK R. DEVLIN,  
H. W. BRUNDIGE,  
*Commissioners.*

For the reasons set forth in the petition for rehearing and based upon our dissension from the majority opinion heretofore rendered in this application, we dissent from this opinion denying petition for rehearing.

H. D. LOVELAND,  
IRVING MARTIN,  
*Commissioners.*

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**DECISION No. 7214.**

**IN THE MATTER OF THE APPLICATION OF WESTERN STATES GAS AND ELECTRIC COMPANY, A CORPORATION, FOR AN ORDER AUTHORIZING THE ISSUE OF PREFERRED STOCK OF THE PAR VALUE OF ONE HUNDRED SEVENTY-EIGHT THOUSAND DOLLARS.**

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Application No. 3374.

Decided March 5, 1920.

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BY THE COMMISSION.

**FOURTH SUPPLEMENTAL ORDER.**

Whereas, the Railroad Commission by Decision No. 5100, dated February 4, 1918, authorized Western States Gas and Electric Company to issue \$178,600 of its 7 per cent preferred capital stock and to use the proceeds from the sale of the stock to pay current indebtedness as from time to time authorized by the Commission; and

Whereas, the Railroad Commission has heretofore authorized the expenditure of \$83,691.80 of said proceeds; and

Whereas, applicant reports that it has expended during January, 1920, for the purpose of constructing extensions, additions and betterments to its plant, the sum of \$57,305.17; that the Commission has never authorized the use of proceeds from the sale of stock, bonds or notes to pay such construction expenditures; that such construction expenditures represent proper additions to capital account, and that therefore applicant should be permitted to use \$57,305.17 obtained from the sale of its preferred stock to reimburse its treasury; and

Whereas, the engineering department of the Commission finds that applicant's reported expenditures are proper and reasonable, and it appearing to the Railroad Commission that applicant's request should be granted, provided it use the \$57,305.17 to pay current indebtedness; now, therefore,

*It is hereby ordered*, that Western States Gas and Electric Company be, and it is hereby, authorized to use \$57,305.17 obtained from the sale of preferred stock, the issue of which was authorized by Decision No. 5100, dated February 4, 1918, to reimburse its treasury on account of construction of extensions, additions and betterments to plant, provided that said \$57,305.17, after the reimbursement of applicant's treasury, is used by applicant within sixty days after the date hereof to pay current indebtedness.

*It is hereby further ordered*, that the order in Decision No. 5100, dated February 4, 1918, as amended, shall remain in full force and effect, except as modified by this fourth supplemental order.

Dated at San Francisco, California, this fifth day of March, 1920.

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DECISION No. 7215.

IN THE MATTER OF THE APPLICATION OF WESTERN STATES GAS AND ELECTRIC COMPANY FOR AN ORDER AUTHORIZING THE ISSUE OF BONDS OF THE FACE VALUE OF FOUR HUNDRED FIFTY THOUSAND DOLLARS.

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Application No. 4312.

Decided March 6, 1920.

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BY THE COMMISSION.

**SIXTH SUPPLEMENTAL ORDER.**

Whereas, Western States Gas and Electric Company, in a sixth supplemental petition in the above entitled matter, reports that during November and December, 1919, it has expended for construction of additions and betterments the sum of \$98,594.18; and

Whereas, the Railroad Commission, in Decision No. 6117, dated February 13, 1919, a decision in the above entitled matter, authorized applicant to issue \$450,000 of bonds, and has, from time to time, by supplemental orders, granted authority to applicant to expend the proceeds from the sale of \$417,144.42 of said bonds, leaving a balance of \$32,855.58; and

Whereas, applicant asks permission to use the proceeds obtained from the sale of the \$32,855.58 of bonds, to reimburse its treasury on account of expenditures during November and December, 1919; and also asks the Commission to extend the time within which the bonds authorized in Decision No. 6117, dated February 13, 1919, may be issued and sold, and it appearing that the moneys expended by applicant during November and December, 1919, as reported in the sixth supplemental petition herein, were for proper capital purposes, and that applicant's request should be granted; now, therefore,

*It is hereby ordered*, that Western States Gas and Electric Company be, and it is hereby, granted authority to use the proceeds obtained from the sale of \$32,855.58 of bonds, the issue of which was authorized by Decision No. 6117, dated February 13, 1919, to finance in part its expenditures on capital account during the months of November and December, 1919.

*It is hereby further ordered*, that the time within which Western States Gas and Electric Company may issue and sell the bonds authorized by Decision No. 6117, dated February 13, 1919, as amended, be, and it is hereby, extended to and including December 31, 1920.

*It is hereby further ordered*, that the order in Decision No. 6117, dated February 13, 1919, as amended, shall remain in full force and effect, except as modified by the sixth supplemental order.

Dated at San Francisco, California, this sixth day of March, 1920.

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DECISION No. 7216.

IN THE MATTER OF THE APPLICATION OF FEDERAL TELEGRAPH COMPANY FOR AUTHORIZATION AND PERMISSION TO DECLARE A STOCK DIVIDEND TO POULSEN WIRELESS CORPORATION FROM ITS INCREASED CAPITAL STOCK.

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Application No. 5257.

Decided March 8, 1920.

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*Hiram W. Johnson, Jr.*, for Applicant.  
*LOVELAND*, Commissioner.

**OPINION.**

Federal Telegraph Company asks permission to issue \$2,391,775 of its common stock to Poulsen Wireless Corporation.

The record shows that Poulsen Wireless Corporation, an Arizona corporation, has an authorized stock issue of \$25,000,000, divided into 250,000 shares of the par value of \$100 each; that \$24,917,750 of its stock is outstanding; that it owns no property other than \$100,000 of outstanding Federal Telegraph Company stock; that the value of the assets of Federal Telegraph Company is greatly in excess of \$100,000 and that it has been determined to disincorporate Poulsen Wireless Corporation and distribute the Federal Telegraph Company stock now outstanding and that which may be issued pursuant to the order of this Commission and the order of the Commissioner of Corporations to the stockholders of Poulsen Wireless Corporation.

The petition herein shows that on January 7, 1920, the authorized stock of Federal Telegraph Company was increased from \$100,000, divided into 1000 shares of the par value of \$100 each, to \$2,500,000, divided into 250,000 shares of the par value of \$10 each. It is applicant's intention to declare a stock dividend to Poulsen Wireless Corporation, its sole stockholder, of a number of shares exactly equal to the number of outstanding shares of said Poulsen Wireless Corporation. Upon the consummation of applicant's plans, there will be \$2,491,775 of Federal Telegraph Company stock instead of \$24,917,750 of Poulsen Wireless Corporation stock outstanding, and it is therefore urged that this application should be viewed from the point of view of reducing the capitalization of the properties now controlled through stock ownership by Poulsen Wireless Corporation.

The principal business of applicant is the manufacture of wireless equipment and apparatus at a plant located at Palo Alto. The petition shows that at least 80 per cent of the wireless business done in the United States is conducted by means of instruments manufactured by applicant. In addition to manufacturing wireless instruments and apparatus, applicant does a telegraph business over wires leased from The Pacific Telephone and Telegraph Company, and it reports that it is because of this business that it has filed this application with the Railroad Commission for permission to issue stock. On account of applicant being engaged primarily in business which is not of a public utility nature, I am inclined to view this application different than I would if applicant were engaged only in public utility business.

Applicant reports that from the date of organization to December 31, 1919, the sum of \$2,086,985.69 has been invested in its business and that this investment represents plant and equipment value at \$326,091.79, net current assets including cash, materials and supplies valued at \$436,282.65 and patent rights valued at \$1,324,611.25. The \$2,086,985.69 is reported to represent actual cash invested in applicant's business and does not include the Poulsen Wireless Corporation stock and \$500,000 of bonds originally issued to Thompson, Poulsen and

Peterson in exchange for patents. The petition shows that in May, 1918, applicant sold to the United States government for the sum of \$1,600,000 an exclusive license in and to all its patents for use within the United States and its dependencies, but reserved all foreign rights accruing from or growing out of said patents, and likewise, specifically reserved the right to manufacture its instruments and apparatus under said patents, subject to the approval of the Secretary of the Navy of the United States of America. The \$1,600,000 obtained from the United States government was used to pay the \$500,000 of bonds issued to Thompson, Poulsen and Peterson in exchange for patents and to liquidate current indebtedness.

Applicant for 1919 reports a gross business of \$1,848,879.79 and a surplus of \$175,506.17. Without making a definite finding as to the value of applicant's patents, I am satisfied that because of moneys actually invested in applicant's plant and equipment, in its patents and business, the Commission may grant this application. It should, of course, be understood that the granting of this application is based entirely upon the facts disclosed by the record in this proceeding.

I herewith submit the following form of order:

#### ORDER.

Federal Telegraph Company having applied to the Railroad Commission for permission to issue stock, a public hearing having been held, and the Railroad Commission being of the opinion that the issue of the stock herein authorized is reasonably required for the purpose set forth in this order and that this application should be granted subject to the conditions in this order:

*It is hereby ordered*, that Federal Telegraph Company be, and it is hereby, authorized to issue on or before October 1, 1920, not exceeding \$2,391,775 of its common capital stock for the purpose of reimbursing its treasury because of moneys invested in its plant, equipment, patents and business; provided—

That the stock herein authorized, after the reimbursement of applicant's treasury, is delivered to the Poulsen Wireless Corporation, and distributed as set forth in this petition; and provided further—

That within thirty days after the issue of the stock herein authorized, the Federal Telegraph Company will file with the Railroad Commission a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this eighth day of March, 1920.

## DECISION No. 7217.

IN THE MATTER OF THE APPLICATION OF THE DIRECTOR GENERAL OF RAILROADS (OPERATING THE ATCHISON, TOPEKA AND SANTA FE RAILROAD, COAST LINES), THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY AND THE SAN DIEGO AND ARIZONA RAILWAY COMPANY FOR APPROVAL OF AN AGREEMENT RELATING TO THE JOINT USE OF THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY'S TRackage AND STATION AT SAN DIEGO, CALIFORNIA.

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Application No. 5329.

Decided March 8, 1920.

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*Read G. Dilworth*, for the San Diego and Arizona Railway Company.

*Edgar W. Camp* and *M. W. Reed*, for The Atchison, Topeka and Santa Fe Railway Company.

MARTIN, *Commissioner*.

**OPINION.**

On February 5, 1920, the Director General of Railroads (operating the Atchison, Topeka and Santa Fe Railroad, Coast Lines), together with The Atchison, Topeka and Santa Fe Railway Company and the San Diego and Arizona Railway Company, made application to the Commission for authority to execute an agreement into which these three parties had entered on September 1, 1919. This agreement was a proposal for the joint use by the applicants of a station and certain railway trackage owned by The Atchison, Topeka and Santa Fe Railway Company.

The agreement (now on file with the Commission) was analyzed by the Commission's Engineering Department and a hearing was held in San Diego on February 25, 1920. From a consideration of that analysis and from the evidence introduced at the hearing, I have come to the conclusion that the agreement proposed by the three railroads is logical and that the application should be granted. I recommend, therefore, the following form of order:

**ORDER.**

The Director General of Railroads (operating the Atchison, Topeka and Santa Fe Railroad, Coast Lines), The Atchison, Topeka and Santa Fe Railway Company and the San Diego and Arizona Railway Company, having applied to the Commission for authority to execute an agreement relating to the joint use of trackage and of a station belonging to The Atchison, Topeka and Santa Fe Railway Company at San Diego, a hearing having been held, the matter having been submitted, and it appearing to the Commission that the proposed agreement is just and reasonable;

*It is hereby ordered*, that the above named applicants be, and the same hereby are, granted authority to carry into effect on or before March 15, 1920, the agreement set forth in the foregoing opinion.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this eighth day of March, 1920.

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DECISION No. 7218.

IN THE MATTER OF THE APPLICATION OF DIRECTOR GENERAL OF RAILROADS, SOUTHERN PACIFIC RAILROAD, FOR AN ORDER AUTHORIZING THE CONSTRUCTION OF SPUR TRACK AT GRADE ACROSS FORTY-SEVENTH, FORTY-EIGHTH, FORTY-NINTH, FIFTIETH, FIFTY-SECOND AND FIFTY-THIRD AVENUES AND VINE STREET, IN THE CITY OF OAKLAND, COUNTY OF ALAMEDA, STATE OF CALIFORNIA.

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Application No. 5213.

Decided March 8, 1920.

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*E. J. Foulds*, for Southern Pacific Company.

*Allen P. Matthew*, for Western Pacific Railroad Company.

*A. J. Treat*, for Federal Wool Manufacturing Company.

*Charles L. Brown*, for protesting property owners of Melrose Station Tract.

MARTIN, *Commissioner*.

**FIRST SUPPLEMENTAL OPINION.**

The Commission rendered its Decision No. 7034 in the above entitled matter on January 17, 1920. In its opinion the Commission said:

The Commission feels that the spur track should have been located close to the Western Pacific right of way from Fiftieth avenue to Vine street, but has been furnished with information which leads it to believe that it was impossible to obtain right of way for such location and that the right of way secured is the best that can be obtained at this time. \* \* \* It is hoped that the location of the spur can be improved or changed at some future time.

Soon after the decision was rendered, the Western Pacific Railroad Company submitted plans showing an equivalent spur track located on the Western Pacific right of way from Forty-eighth avenue to Vine street, and stated that they would be willing to install such a joint track and share in the expense. Upon their request, the matter was reopened by the Commission on its own initiative.

At the hearing, held February 10, the two interested railroad companies stated that they would be able to agree between themselves on an alignment for the spur track, along the lines suggested by the Western Pacific Railroad Company. Thereupon the presiding Commissioner ordered the two railroad companies to hold the necessary consultations and present their plan and agreement to the Commission on February 20, 1920. This was done.

The plan presented by the two companies on February 20, and filed as Exhibit No. 5, shows the spur as agreed upon, which may be described roughly as follows:

Beginning on the Melrose line of the Southern Pacific suburban lines in Forty-sixth avenue near Engineer's Station 8+00; thence on a curve to the left to a point nearly opposite Engineer's Station 11+00; thence on a 15-degree curve to the right to a point of crossing with the Western Pacific main line, said crossing to be included in the interlocking limits now located at the crossing of the Southern Pacific Melrose suburban line with the Western Pacific main line; thence on a continuation of said curve to the right to a point near the west line of Forty-eighth avenue on the Western Pacific right of way, thence on a tangent along the Western Pacific right of way, and parallel with the main line, and not over 20 feet therefrom to a point between Fifty-third avenue and Vine street. From this point spur tracks are to be constructed across Vine street to serve the Federal Wool Company and Libby, McNeill and Libby. Also a connection is to be made by the latter spur with the Western Pacific main line near Fifty-eighth avenue. That portion of the spur track from the point of beginning to the point of crossing with the Western Pacific main line is to be owned by the Southern Pacific Company. The remainder of the spur track is to be joint track.

The two railroad companies stipulated that certified copies of the agreement entered into by them in regard to the above described spur would be filed with the Commission as soon as executed by the proper officials.

Engineers for the Commission testified that the above described spur was superior in every way to the spur track originally contemplated in this application. The protestants to the original spur track alignment were also satisfied with the alignment of new spur as described above.

#### FIRST SUPPLEMENTAL ORDER.

The Commission, on its own initiative, having reopened the proceedings in the above entitled matter; the two railroad companies interested having agreed upon an alignment for a spur track, as previously described, which is far superior to the track originally proposed by the United States Railroad Administration, Southern Pacific Railroad; the protestants to the original spur track alignment expressing satisfaction with the alignment of the spur track as agreed upon between the companies, and it appearing to the Commission that the proposed spur track, as agreed upon and above described, should be constructed, rather than the one originally applied for;

*It is hereby ordered*, that the United States Railroad Administration, the Southern Pacific Company and Western Pacific Railroad Company be and the same are hereby authorized to construct a spur track at



grade across Forty-sixth avenue, Forty-seventh avenue, East Tenth street, Forty-eighth avenue, Forty-ninth avenue, Fiftieth avenue, Fifty-first avenue, Fifty-second avenue, Fifty-third avenue, Vine street or Fifty-fourth avenue and Fifty-eighth avenue, as agreed upon between the two companies described above and as shown on Exhibit No. 5 filed by the railroad companies, all in the city of Oakland, county of Alameda, State of California.

Permission previously granted the United States Railroad Administration to construct the crossings designated in this matter under Decision No. 7034 is hereby revoked.

The crossings now granted shall be constructed subject to same conditions as those in the order of Decision No. 7034, subject to such terms in regard to the payment of cost of construction as the two railroad companies may agree upon and make part of the certified agreement covering the entire construction of the spur, which shall be filed with the Commission fifteen (15) days after the date of execution.

The Commission reserves the right to make such further orders relative to the location, construction, operation, maintenance and protection of said crossings as to it may seem right and proper, and to revoke its permission if, in its judgment, the public convenience and necessity demand such action.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this eighth day of March, 1920.

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DECISION No. 7219.

IN THE MATTER OF THE REORGANIZATION OF NORTHERN ELECTRIC RAILWAY COMPANY, A CORPORATION, NORTHERN ELECTRIC COMPANY, A CORPORATION, NORTHERN ELECTRIC RAILWAY COMPANY—MARYSVILLE AND COLUSA BRANCH, A CORPORATION, AND SACRAMENTO AND WOODLAND RAILROAD COMPANY, A CORPORATION, AND OF THE APPLICATION FOR AUTHORITY TO TRANSFER THE PROPERTIES OF THE LAST MENTIONED CORPORATIONS TO A NEW CORPORATION, AND FOR PERMISSION TO ISSUE STOCK AND BONDS OF THE SAID NEW CORPORATION.

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Application No. 1933.

Decided March 8, 1920.

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BY THE COMMISSION.

**EIGHTH SUPPLEMENTAL ORDER.**

Whereas, the Railroad Commission by Decision No. 5432, dated May 25, 1918, authorized the company purchasing the properties of Northern Electric Railway Company, Northern Electric Company, Sacramento

and Woodland Railroad Company, Northern Electric Railway Company—Marysville and Colusa Branch and Sacramento Terminal Company, among other things, to issue in payment for said properties, and for such other purposes as the Railroad Commission may authorize, 5 per cent twenty-year bonds in an amount not to exceed \$5,500,000 and capital stock in an amount not to exceed \$5,200,000; and

Whereas, Sacramento Northern Railroad has acquired the properties of Northern Electric Railway Company et al., and issued stock, bonds and participation certificates in payment therefor, said participation certificates being less than \$100 face value; and

Whereas, holders of participation certificates have requested Sacramento Northern Railroad to issue bonds to them provided they deliver to the company the participation certificates and pay the difference between the face amount of the bond issued by the company and the face amount of the certificate in cash; and

Whereas, Sacramento Northern Railroad estimates that the maximum amount of bonds which it will be required to issue to convert all participation certificates into bonds will consist of \$33,919.04 of Class "A" bonds, \$23,288.24 of Class "B" bonds, \$13,416 of Class "C" bonds and \$13,416 of Class "D" bonds, and the Commission being of the opinion that the request of the Sacramento Northern Railroad should be granted; now, therefore—

*It is hereby ordered*, that Sacramento Northern Railroad be, and it is hereby, authorized to issue, at not less than par, \$33,919.04 of Class "A" bonds, \$23,288.24 of Class "B" bonds, \$13,416 of Class "C" bonds and \$13,416 of Class "D" bonds, for the purpose of converting participation certificates issued under the reorganization plan of Northern Electric Railway Company et al., into bonds of Sacramento Northern Railroad;

Provided, that none of said bonds be issued until the holders of said participation certificates have paid in cash to the Sacramento Northern Railroad the difference between the face amount of said participation certificates and the face amount of bonds which Sacramento Northern Railroad is asked to issue in exchange therefor; and

Provided, further, that Sacramento Northern Railroad will use all moneys obtained through the issue of the bonds herein authorized to pay for extensions, additions and betterments to its properties; and

Provided, further, that Sacramento Northern Railroad will keep such record of the issue of the bonds herein authorized and of the disposition of the proceeds as will enable it to file, on or before the twenty-fifth day of each month, a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

Dated at San Francisco, California, this eighth day of March, 1920.

## DECISION No. 7220.

IN THE MATTER OF THE APPLICATION OF B. H. STEELE AND H. E. STEELE FOR CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY TO OPERATE AUTOMOBILE FREIGHT SERVICE BETWEEN OCEANSIDE, CALIFORNIA, AND SANTA ANA, CALIFORNIA.

Application No. 5195.

Decided March 8, 1920.

**CERTIFICATES—AUTO STAGES—RATES.**—In an application for a certificate to operate an auto truck line, where the applicant has failed to establish a showing that there is a public demand for the service which he proposes to render, the sole fact that proposed rates for certain commodities are lower than the rates at present in effect on lines of existing carriers is not in itself sufficient to warrant the granting of the application, as a complaint against existing rates will bring about an investigation and adjustment if they are found to be unreasonable.

Application denied.

*H. N. Blair*, for Applicants.

*M. W. Read*, *C. K. Adams* and *Paul Burks*, for United States Railroad Administration, Atchison, Topeka and Santa Fe Railway, Protestant.

*M. Thompson*, for American Railway Express, Protestant.

*Harry T. Hennessy*, for United States Railroad Administration, Southern Pacific Railroad, Protestant.

*E. E. Rodabaugh*, for Charles D. Boynton, Proprietor Boulevard Express, Protestant.

BY THE COMMISSION.

## ORDER.

B. H. Steele and H. E. Steele, partners in business operating under the fictitious name of Oceanside Truck Line, have petitioned the Railroad Commission for an order declaring that public convenience and necessity require the operation by them of an automobile truck line as a common carrier of freight between Oceanside and Santa Ana.

Public hearings on this application were conducted by Examiner Handford at Los Angeles on December 23, 1919, and February 25, 1920, the matter was duly submitted, and is now ready for decision.

Applicants proposed to charge rates in accordance with a schedule marked Exhibit "A" and filed with the application in this proceeding, to operate on a schedule of one round trip daily, using as equipment one Moore truck, 2½-ton capacity, licensed by the State Motor Department under license No. 402046, and two Autocar trucks each of 2-ton capacity.

Applicants rely as justification for the granting of the desired certificate upon the alleged fact that a considerable territory south of Oceanside is producing peas and beans which require movement to the Los Angeles markets. Other perishable garden truck and products are also produced in such territory and it is alleged that the service now

rendered by The Atchison, Topeka and Santa Fe Railway does not satisfactorily meet the requirements of the producers in the territory south of Oceanside.

Applicants are now operating, under the authority of the Railroad Commission, a truck line between San Diego and Oceanside and desire to extend service from Oceanside to Santa Ana, at which point connection will be made with authorized truck lines operating between Santa Ana and Los Angeles.

Witnesses for applicants testified as to the acreage now planted to beans, peas and other perishable garden products in the Del Mar-Cardiff and the Carlsbad districts; as to the difficulty experienced in securing satisfactory transportation via the local freight service of The Atchison, Topeka and Santa Fe Railway and the facilities afforded by the American Railway Express; and as to the desire of producers to patronize truck service for the reason that early delivery in the Los Angeles markets was necessary if maximum prices for products were to be secured and to eliminate the additional drayage charge which would be occasioned if rail shipments were made.

Witnesses favoring this application and engaged in the operation of truck lines between Santa Ana and Los Angeles testified as to the volume of business handled between such points and that the preponderance of business originated at Los Angeles destined to Santa Ana and intermediate points, but that the return loads were of little consequence and that ample capacity was available for all business which might offer from Santa Ana destined Los Angeles.

It appears that there exists an association of vegetable growers in the Carlsbad district and that such association is at present operating its own trucks or trucks leased by the association for the transportation of products originating with the members of the Carlsbad Vegetable Growers Association which are destined to the Los Angeles markets.

This application, if granted, will result in the establishment of a through route San Diego to Los Angeles and as regards the shipment of green peas and beans from the Del Mar-Cardiff and Carlsbad districts in a through rate according to rates proposed by the applicants and rates on file with the Railroad Commission as regards the territory between Santa Ana and Los Angeles of 55 cents per hundred pounds, the existing rate over the line of authorized carrier, Boulevard Express, being 78 cents per hundred pounds, such rate including federal war tax.

Some complaint was made by witnesses for applicants regarding late delivery of shipments to the markets at Los Angeles, such late deliveries resulting in a lower price being secured for shipments of peas than were anticipated by shippers or which would have been received if earlier delivery had been made.

The Vegetable Growers' Association, with headquarters at Carlsbad, has, however, undertaken the delivery of its products to the Los Angeles markets by leased trucks and there is no evidence which indicates that such trucks will be withdrawn and that the business now handled would go to the applicants and their proposed connecting lines.

This application is protested by the United States Railroad Administration on behalf of its lessors, the Southern Pacific Railroad and The Atchison, Topeka and Santa Fe Railway; by the American Railway Express and by Charles D. Boynton, proprietor of the truck line operated under the fictitious name of Boulevard Express.

The protest of the Southern Pacific Railroad was eliminated by the stipulation of applicants that no business was desired locally between Los Angeles and Santa Ana, such business being at present cared for by two authorized truck lines.

The Atchison, Topeka and Santa Fe Railway protests the granting of the application and offered in evidence time schedules and rates as existing over the territory for which applicants desire a certificate. The Atchison, Topeka and Santa Fe Railway are at present operating but three times per week as regards less than carload freight shipments between Los Angeles and Oceanside and such service does not meet the requirements of the shippers of garden truck and produce in that such produce moves daily and at hours other than are satisfactory for shipment. It is also necessary to haul shipments to the railroad station and from the railroad station in Los Angeles to the markets and such additional haul results in additional expense to shippers, the commodity being consigned to commission merchants in Los Angeles and all expense of delivery to the warehouses of the commission merchants being charged against the shippers and producers.

The service of the American Railway Express, cared for by the passenger trains of The Atchison, Topeka and Santa Fe Railway, is not satisfactory to shippers in that shipments are required to be delivered to the stations of the Santa Fe at an hour which is too early for the growers and producers and an expense is occasioned producers by reason of their being required to deliver shipments from the point of production to the various stations of the Santa Fe Railway.

Charles D. Boynton, proprietor of the Boulevard Express, opposes the granting of this application on the basis that he is serving the territory under authority from the Railroad Commission as contained in its Decision No. 6588 on Application No. 4754. This protestant claims to have had but two complaints regarding late delivery of garden truck and produce and assigns as a reason for such late delivery the fact that his regular route was impassable due to road conditions, and that a twelve mile detour from his regular route was necessary and that the fact of being required to make such detour resulted in late arrival.

This protestant has leased space from the South Coast Land Company upon which he has erected a loading platform and provided same with scales for the convenience of shippers. Protestant claims to have been able at all times to furnish all trucks necessary to carry all shipments offered at any point on his authorized route between San Diego and Los Angeles; that he has furnished special trucks to handle the vegetable and produce business from the Del Mar-Cardiff and the Carlsbad districts; that at the present time, due to the operation by the Carlsbad Vegetable Growers' Association of its own trucks, but that approximately an average of 35 sacks of peas daily are being offered for transportation via his line.

Protestant has at present four trucks in service owned by himself, and eight other trucks operated under lease. Two additional trucks have been contracted for and will shortly be available for the service offered over his route.

The Commission has carefully considered all the evidence in this proceeding and we find no showing as to any public convenience and necessity to be served other than the desire of the growers of vegetables and garden produce in the districts above mentioned for an additional route over which their commodities may be transported to the Los Angeles markets. It is true that applicants in connection with their proposed connection with other lines at Santa Ana offer a rate which is lower than that now existing over the line of the present authorized motor truck carrier. At the present time, however, the growers in the Carlsbad district, who are members of the Carlsbad Vegetable Growers' Association, have established their own service and are handling their own products to the Los Angeles markets; and while applicants, in connection with their proposed connections, have offered a lower rate than exists over the present authorized truck line as regards the transportation of vegetables and garden products, if complaint exists as to the unreasonableness of the rates charged by existing authorized carriers, such complaint should be brought to the attention of the Commission for an investigation as to rates, and an adjustment of same should they be found to be unreasonable.

We are of the opinion and find as a fact that the existing facilities of the automobile truck line operated by Charles D. Boynton, under the fictitious name of Boulevard Express, are adequate for the transportation of the garden truck produce originating in the Del Mar-Cardiff and Carlsbad districts and there is no other evidence before the Commission in this proceeding which would justify the granting of this application.

The Railroad Commission hereby declares that public convenience and necessity do not require the establishment by B. II. Steele and

H. E. Steele of an automobile truck service as a common carrier of freight between Oceanside and Santa Ana; and

*It is hereby ordered*, that this application be and the same hereby is denied.

Dated at San Francisco, California, this eighth day of March, 1920.

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DECISION No. 7227.

IN THE MATTER OF THE APPLICATION OF SOUTHERN CALIFORNIA EDISON COMPANY, A CORPORATION, FOR AN ORDER OF THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA AUTHORIZING IT TO ISSUE, SELL AND DELIVER TWENTY-FIVE THOUSAND SHARES OF ITS COMMON CAPITAL STOCK OF THE PAR VALUE OF ONE HUNDRED DOLLARS EACH.

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Application No. 4790.

Decided March 8, 1920.

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BY THE COMMISSION.

**FIFTH SUPPLEMENTAL ORDER.**

The Railroad Commission, having by Decision No. 6544, dated August 7, 1919, authorized Southern California Edison Company to issue at not less than \$90 per share, 25,000 shares of its common stock, provided that the proceeds be expended only for such purposes as the Railroad Commission might authorize in a supplemental order or orders, and Southern California Edison Company, having filed in the above entitled matter, a supplemental petition showing that it has expended for the acquisition of properties and advanced to system corporations a net amount of \$497,625.50, for which sum applicant asks permission to reimburse itself through withdrawals from the special fund established pursuant to the order in Decision No. 6544, dated August 7, 1919, and it appearing that the expenditures reported in the supplemental petition are reasonable and proper and that applicant's request should be granted; now, therefore—

*It is hereby ordered*, that Southern California Edison Company be, and it is hereby, authorized to use \$497,625.50 obtained from the sale of stock, the issue of which is authorized by Decision No. 6544, dated August 7, 1919, to pay for and finance the acquisition of the properties and advances to system corporations referred to in the fifth supplemental petition herein.

*It is hereby further ordered*, that the order in Decision No. 6544, dated August 7, 1919, as amended, shall remain in full force and effect, except as modified by the fifth supplemental order.

Dated at San Francisco, California, this eighth day of March, 1920.

## DECISION No. 7231.

IN THE MATTER OF THE APPLICATION OF MIDLAND COUNTIES PUBLIC SERVICE CORPORATION, A CORPORATION, AND SANTA MARIA GAS AND POWER COMPANY, A CORPORATION, FOR APPROVAL OF A CERTAIN CONTRACT ENTERED INTO BETWEEN THE SAID CORPORATIONS AS OF DATE DECEMBER 15, 1919, AND FOR APPROVAL OF THE PLAN TO CHANGE CERTAIN RATES NOW IN FORCE AND EFFECT.

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Application No. 5200.

Decided March 8, 1920.

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*Chickering & Gregory*, by *Allen Chickering* and *Evan Williams*, for Santa Maria Gas and Power Company.

*Murray Bourne*, for Midland Counties Public Service Corporation.

*C. P. Koetzel*, for city of San Luis Obispo.

*A. E. Campbell*, for gas consumers in Pismo and Avila and on the line between Pismo and San Luis Obispo.

**BRUNDIGE**, *Commissioner*.

**OPINION.**

The Railroad Commission is asked to make an order approving the contract attached to the petition herein and marked Exhibit "A," and permit Santa Maria Gas and Power Company to place in force and effect in all the territory now served by Midland Counties Public Service Corporation, whose gas properties it intends to acquire, the present schedule of rates of said Santa Maria Gas and Power Company on file with the Commission or any modification which the Commission may direct.

From the contract which the Commission is asked to approve, it appears that Midland Counties Public Service Corporation has agreed to sell to Santa Maria Gas and Power Company for \$388,000 its entire gas plant, system, equipment, business and good will thereof, located in the counties of Santa Barbara and San Luis Obispo, except its land and gas manufacturing plant thereon situate in the city of San Luis Obispo, its office furniture and fixtures in its office in San Luis Obispo, its retail stores, and all its automobiles except one Ford. The contract describes the properties in greater detail; permits the purchasing company to pay for the properties in cash, bonds and notes and defines certain conditions which must be included in the mortgage and deed of trust securing the payment of the bonds issued and delivered in payment for the properties.

Both the Midland Counties Public Service Corporation and Santa Maria Gas and Power Company are engaged in the business of furnishing gas for sale to the public in the city of San Luis Obispo. The record shows that on account of this competition, the price which the companies have had to pay the producers of natural gas has increased, both competing for their supply from the same source; that there



exists a duplication of investment, especially in transmission and distribution mains, and that such duplication will become greater unless the properties are consolidated and operated as a single utility.

A. E. Wishon, assistant general manager of Midland Counties Public Service Corporation, testified that because of limited financial resources, his company could not meet the demand for its new electric extensions and that the amount received from the sale of the gas properties would be used for the betterment of the company's electrical business and the further extension of its electrical service.

Though not directly before the Commission for adjudication, the matter of abandonment of certain lines, the issue of bonds and the relation of such issue to the investment and net earnings are referred to at some length in the testimony. If this application is granted, Santa Maria Gas and Power Company intends to apply to the Commission for authority to abandon the present eight-inch transmission line of the Midland company extending from Betteravia Junction northward to Pismo and Avila, and the Midland company's four-inch line from San Luis Obispo to Oilport. The record shows that there are eighteen consumers served from the four-inch line, and eight or ten from the eight-inch line; that the company has a firm offer of \$108,000 for the eight-inch line (125,000 feet) from Betteravia Junction to Avila, and an offer of 35 cents per foot for the four-inch line from Oilport to San Luis Obispo. The Santa Maria company takes the position that the investment in these lines is too great to warrant retaining them in service for the small number of consumers attached, and that if it is permitted to abandon the lines and sell the pipe, its investment in plant can be materially reduced. It claims that these lines are not necessary in the operation of the consolidated company.

As said, the abandonment of the lines is not now before the Commission, and I call attention thereto only because of the references in the testimony, reserving decision until this matter is before the Commission.

The contract provides that upon the delivery of the documents conveying the properties free and clear of lien and encumbrances, the Santa Maria company shall pay or cause to be paid, to the Midland company, \$120,750 in cash or an amount in 6 per cent twenty-year bonds of a corporation to be hereafter organized, which, accepted at 95 plus accrued interest, will net \$120,750. And the Midland company has agreed to accept in payment for the properties \$195,000 face value of 6 per cent twenty-year bonds of said corporation and a \$82,000 face value three-year 6 per cent note secured by the deposit of \$86,000 of 6 per cent twenty-year bonds of said corporation.

Provision is made for the gradual payment of the \$82,000 note through the sale of gas to the steam generating plant at Betteravia.

The contract also contains certain provisions which must be included in the new mortgage or deed of trust, but inasmuch as neither the issue of the bonds nor the execution of the deed of trust is now before the Commission, it is unnecessary to refer to such provisions. The selling corporation agrees not to sell or dispose of the bonds it receives in payment for the properties for eighteen months after the date of receipt of such bonds and that during this time it will sell to the new corporation, upon five days written notice, the bonds at 95 plus accrued interest.

The Santa Maria company in Exhibit No. 3, prepared by F. Emerson Hoar, consulting engineer, reports the reproduction cost new of the property which it desires to acquire from the Midland company at \$781,424 and the reproduction cost depreciated as of January 1, 1920, at \$385,632. The reproduction cost of the eight-inch line from Betteravia Junction to Avila is reported at \$415,983 and the reproduction cost depreciated at \$100,000, the latter figure representing, according to Mr. Hoar, the salvage value. The reproduction cost depreciated does not include any right of way which it is intended to abandon. In Exhibit No. 4, also prepared by Mr. Hoar, he deducts from the \$385,632 the sum of \$31,006 which he believes represents property useful and necessary to improve the present service of the Santa Maria company; and the further sum of \$132,690 which he believes can be obtained for property to be abandoned, leaving \$221,936 as a basis on which a return should be calculated. He then assumes that the rates of the Santa Maria company now in effect will be applied to consumers at present being served by the Midland company, that one million cubic feet of gas will be sold daily to San Joaquin Light and Power Corporation, and, after making such assumptions, concludes that, after paying operating expenses and taxes, \$24,888 will be available to Santa Maria Gas and Power Company to pay interest on the added investment and provide for depreciation.

It would thus appear that the earning capacity of the properties to be transferred is contingent upon the abandonment and sale of at least the eight-inch transmission main, and to a lesser degree upon the abandonment and sale of the four-inch lines above referred to.

In Exhibit No. 5, Mr. Hoar estimates the gross earnings of the consolidated properties for 1920 at \$209,992 and the operating expenses, including taxes and depreciation, at \$165,685, leaving \$44,307 available for interest. The annual interest payments are reported in Exhibit No. 5 at \$25,560, leaving a surplus of \$18,747.

The interest payments consist of:

Interest on \$129,000 of underlying bonds at 6 per cent.....	\$7,740 00
Interest on \$195,000 of new bonds at 6 per cent.....	11,700 00
Interest on \$82,000 of 6 per cent notes.....	4,920 00
Other interest (estimated).....	1,200 00
Total .....	\$25,560 00

The Santa Maria company now charges a rate of \$1 per thousand cubic feet for general domestic and commercial service, and lower rates for larger consumption and for surplus fuel gas. The Midland company is now charging a general service rate of 50 cents per thousand cubic feet, reducing for quantity, and a rate of 20 cents per thousand cubic feet for boiler fuel service. These rates apply in the city of San Luis Obispo and adjacent territory.

The past operations of the Midland company show clearly that its service is being supplied at a loss. It is not probable that the Midland company could continue indefinitely in the future to supply good service at its present low rates. On the other hand, the rates now charged by the Santa Maria Gas and Power Company can not be considered as excessive rates for the service rendered. In spite of the higher rate which it charges, the Santa Maria company has succeeded in obtaining and holding for itself the major portion of the business in competition. If the properties are to be consolidated and operated as a unit, an obvious discrimination in rates will occur unless the present differences in the rates of the two companies are equalized.

The Santa Maria company stipulated in effect that if this application is granted, it will receive and operate the properties now owned by the Midland company subject to the same terms, limitations, payment and duration of its present franchise and that the city of San Luis Obispo should not by any language or provision of the franchise be required to purchase any property conveyed by the Midland company to the Santa Maria company, which is not at the time of purchase actually used and useful, as a part of the system of the Santa Maria company for supplying consumers with gas in the city of San Luis Obispo. Upon the filing of this stipulation, the city of San Luis Obispo withdrew all objection to the transfer of the properties.

Though notice was given that the transfer of the properties may result in an increase in rates to present consumers of the Midland company, no protest against such increase has been filed with the Commission.

I herewith submit the following form of order:

#### **ORDER.**

Midland Counties Public Service Corporation, having asked permission to transfer certain gas properties to Santa Maria Gas and Power Company, and the latter company having joined in the application and having asked permission to increase certain rates, a public hearing having been held, and the Commission being of the opinion that this application should be granted subject to the conditions of this order;

*It is hereby ordered*, that Midland Counties Public Service Corporation be, and it is hereby, authorized to sell and transfer to Santa Maria Gas and Power Company, and said Santa Maria Gas and Power Company be, and it is hereby, authorized to purchase for the sum of \$388,000 the properties described in Exhibit "A," attached to the petition.

The authority hereinabove granted is subject to the following conditions:

1. The consideration at which the transfer of the properties is herein authorized, shall not be urged before this Commission or any other public body having jurisdiction, as fixing the value of the properties for rate making or any purpose other than the transfer herein authorized.

2. The authority herein granted shall not be interpreted as giving Santa Maria Gas and Power Company permission to abandon any service or to issue any securities.

3. Within sixty days after the transfer of the properties herein authorized, Santa Maria Gas and Power Company shall file with the Railroad Commission, for approval, a copy of all book entries relative to the transfer and purchase of the properties.

4. Within thirty days after the transfer of the properties herein authorized, Santa Maria Gas and Power Company shall file with the Railroad Commission a verified copy of the instrument of conveyance whereby it receives title to the properties.

5. Within sixty days after the receipt of payment, Midland Counties Public Service Corporation shall file with the Railroad Commission for approval a statement showing the purposes for which it intends to expend the moneys obtained from the sale of the properties herein authorized.

*It is hereby further ordered*, that Santa Maria Gas and Power Company be, and it is hereby, authorized to charge for gas sold in accordance with its regularly filed schedule of rates, all such consumers as it shall acquire from Midland Counties Public Service Corporation, from and after the first regular meter reading date after the transfer of the properties herein authorized;

Provided, Santa Maria Gas and Power Company shall within ten days after the transfer of the properties herein authorized file with the Railroad Commission such modifications in its schedule of rates as shall be necessary to conform with this authority.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this eighth day of March, 1920.

## DECISION No. 7236.

IN THE MATTER OF THE APPLICATION OF MANTECA TELEPHONE  
AND TELEGRAPH COMPANY FOR INCREASE OF TELEPHONE  
RATES.

Application No. 4869.

Decided March 11, 1920.

TELEPHONE SERVICE—MULTIPARTY LINES—ELIMINATION OF.—It is recommended that applicant eliminate in so far as possible all ten and twelve party line service, particularly within the city limits, as a satisfactory service can not be given on lines containing more than four parties. As ten and twelve party line service is necessary in certain rural districts, rates are established covering the same. It is also recommended that applicant proceed immediately to purchase all equipment at present owned by subscribers.

Revised schedule of rates established to become effective within thirty days.

C. S. Forbes, for Applicant.

BRUNDIGE, Commissioner.

## OPINION.

This is an application filed by Manteca Telephone and Telegraph Company, unincorporated, owning and operating a local telephone exchange serving the city of Manteca and vicinity in San Joaquin County, for authority to increase the present rates for telephone service.

The present schedule of rates on file with the Railroad Commission, those which applicant states are actually in effect and the rates which applicant proposes to make effective if authorized by the Commission, are as follows:

Schedule of Rates on File with Commission.

	Switching rate	Instrument rental
Within city limits—		
1 party .....	\$2 00	\$0 50
2 party .....	1 50	50
4 party .....	1 25	50
8 party .....	1 00	50
Rural lines. Lines to city limits owned by subscriber.		
1 party .....	2 00	50
2 party .....	1 50	50
4 party .....	1 25	50
5 to 10 party .....	75	50

## Schedule of Rates Actually in Effect and Schedule of Proposed Rates.

	Present rates	Proposed rates
<b>Business—</b>		
1 party -----	\$2 50	\$3 00
2 party -----	2 00	2 50
4 party -----	1 75	2 00
Extension sets -----	50	1 00
<b>Residence—</b>		
1 party -----	2 50	2 50
2 party -----	2 00	2 00
4 party -----	1 75	1 75
Extension sets -----	50	75
<b>Company owned line and instrument—</b>		
12 party -----		2 50
<b>Company owned instrument, subscriber owning interest in line—</b>		
12 party -----	1 25	1 50
<b>Subscriber owning instrument and interest in line—</b>		
12 party -----	75	1 00

A public hearing was held at Manteca on October 23, 1919. No one appeared to oppose the application.

This telephone system was owned at the time of filing the schedule of rates now on file with the Railroad Commission, by E. Powers. On September 19, 1918, the Commission authorized the sale and transfer of the property to M. A. Forbes, and on October 5, 1918, the transfer was consummated. Between that date, October 5, 1918, and August 1, 1919, the plant was entirely rebuilt and certain other improvements were made.

Attached to this application as Exhibit "B" is an inventory of the property as it existed as of November 15, 1918, appraised at \$8,809.47 and a list of additions from that date to August 1, 1919, amounting to \$6,351.76, making a total valuation to the latter date, as submitted by applicant, of \$15,161.23. The Commission's engineers have also made an appraisal based upon the company's inventory of November 15, 1918, plus net additions to August 1, 1919. In the appraisal by the Commission's engineers, the net additions appearing amount to \$7,106.93. This appraisal was submitted in evidence and filed as Commission's Exhibit "B." The company's and the Commission's appraisals show the following:

	Company's valuation	Reproduction cost by commission	Commission reproduction cost less depreciation
Inventory, November 15, 1918-----	\$8,809 47	\$9,865 00	\$8,736 00
Net additions -----	6,351 76	7,106 93	7,106 93
<b>Totals -----</b>	<b>\$15,161 23</b>	<b>\$16,971 93</b>	<b>\$15,842 93</b>

Taking the purchase price of this property, \$6,750, plus net additions, \$7,106.93, as a basis, applicant's original investment is \$13,856.93.

Applicant has submitted statements showing present exchange service revenues of \$6,441 and toll service revenues, based upon the year August, 1918-July, 1919, of \$2,243.83, making total yearly exchange and toll service revenues amounting to \$8,684.83; and showing salary expenses, based upon the seven months, January-July, 1919, amounting to \$6,420.72 per year, with other operating expenses amounting to \$9,402.72. It would thus appear that applicant is operating at a deficit of \$717.89 per year.

The Commission's engineers having made a careful check and analysis of these revenue and expense statements, it appears that exchange service revenues, based upon present rates and upon the present volume of business, amount to \$6,534 per year which, after adding toll service revenues on the basis of the July, 1918-August, 1919, toll business, will show total exchange and toll service revenues amounting to \$8,773.83 per year; it appears also that a reasonable allowance for operating expenses, inclusive of \$678 per year (approximately 4.5 per cent of the value of the plant) for depreciation reserve, and adding \$83.40 per month for salary increases, effective January 1, 1920, will be \$8,350.80 per year. This will result in a net income of \$428.83, exclusive of interest on deferred payments upon the purchase price of the property which, at the present time, amounts to 7 per cent on \$3,750. It appears from this that applicant is clearly entitled to an increase in rates.

Applicant has stated that the ten-party service heretofore provided has proven unsatisfactory and that four-party lines are being provided to meet the demand for a better class of service. It has also come to the attention of the Commission that, although not provided for in the present filed schedules, applicant is also providing quite extensively a twelve-party service. In the rural sections it is very frequently, and in fact quite generally, necessary to provide party line service similar to that which has heretofore been and is still provided in this case, and while it may not be advisable in this case to eliminate entirely these classes of service, we agree with applicant that it is in the interest of adequate and efficient service to do so wherever it can be done without serious disturbance and particularly so within the city limits. In the schedule of rates which is recommended herein, provision will be made for rates for such ten and twelve party service as may remain following transfers to other classes of service and as may be demanded hereafter.

There are also at present a few instances in which subscribers own the telephones which they are using and in which lower rates for service are paid than those applying for similar service in cases in which the company owns the equipment. Applicant proposes and is proceeding to purchase the telephones in such cases, and to place all subscribers on the same basis as to rates for similar service. In this the Commission concurs and in the schedule recommended herein the applicant will be authorized to charge the same rates for the same classes of service whether the subscriber or the company owns the instrument.

I recommend that applicant be authorized to charge and collect rates in accordance with the following schedule:

	Business		Residence	
	Wall set	Desk set	Wall set	Desk set
1 party -----	\$2 75	\$3 00	\$2 25	\$2 50
2 party -----	2 25	2 50	2 00	2 25
4 party -----	2 00	2 25	1 75	2 00
10 party -----			1 50	1 75
12 party -----			1 25	1 50
Extensions -----	1 00	1 00	1 00	1 00

This schedule, applied to the telephones actually in service on September 15, 1919, as shown by applicant's records, will produce exchange service revenues amounting to \$7,587 per year. Estimating toll service revenues upon the basis of actual toll receipts for the year August, 1918-July, 1919, there will be added \$2,243.83, making the total for exchange and toll service revenues \$9,830.83 per year. Allowing operating expenses of \$8,350.80 per year, referred to above, this schedule will produce net revenues amounting to \$1,480.03 per year, representing a net return of 8.72 per cent on the reproduction cost, or 9.34 per cent on the depreciated reproduction cost of this property. This does not take into consideration any increase in revenue from increased business and transfers of service or increased investment incidental thereto.

The following order is recommended:

#### ORDER.

Manteca Telephone and Telegraph Company, unincorporated, having applied to the Railroad Commission for authority to increase rates in the city of Manteca and vicinity, San Joaquin County, and a public hearing having been held;

It is hereby found that the rates heretofore charged for telephone service by said applicant are unjust and unreasonable, and that the



rates hereinafter provided are just and reasonable. And basing its conclusions thereon;

*It is hereby ordered*, by the Railroad Commission, that said applicant be and it is hereby authorized to file a schedule of rates with the Railroad Commission within thirty (30) days from the date of this order and immediately thereafter to charge and collect rates as follows:

	Business		Residence	
	Wall set	Desk set	Wall set	Desk set
1 party service.....	\$2 75	\$3 00	\$2 25	\$2 50
2 party service.....	2 25	2 50	2 00	2 25
4 party service.....	2 00	2 25	1 75	2 00
10 party service.....			1 50	1 75
12 party service.....			1 25	1 50
Extension sets .....	1 00	1 00	1 00	1 00

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this eleventh day of March, 1920.

#### DECISION No. 7239.

IN THE MATTER OF THE APPLICATION OF HUNTINGTON BEACH COMPANY TO SELL ITS TELEPHONE SYSTEM TO HUNTINGTON BEACH TELEPHONE COMPANY AND OF HUNTINGTON BEACH TELEPHONE COMPANY TO ISSUE STOCK.

Application No. 5175.

Decided March 11, 1920.

**STOCK ISSUE—TELEPHONE COMPANIES—CODE REQUIREMENTS—LEGALITY OF.**—It is held that stock issued by a telephone company under the provisions of section 293 of the Civil Code, which requires \$100 of stock per mile of telegraph line to be subscribed for, prior to filing of articles of incorporation, does not legalize the issuance of such stock as regards the provisions of the Public Utilities Act when no order of this Commission has been made authorizing such issuance.

Transfer of telephone property authorized and Huntington Beach Telephone Company authorized to issue \$24,500 par value of stock, \$22,000 par value thereof in exchange for properties acquired, the balance in lieu of stock heretofore issued without proper authorization.

*J. S. Lawshe*, for Huntington Beach Company.

*H. V. Anderson*, for Huntington Beach Telephone Company.

*BRUNDIGE*, Commissioner.

#### OPINION.

This application involves the transfer of the telephone properties owned by Huntington Beach Company to Huntington Beach Telephone Company, and the issue of \$22,000 of stock by Huntington Beach Telephone Company, to pay for such properties.

Applicants report that Huntington Beach Company was organized primarily for the purpose of acquiring, improving, subdividing and selling a tract of land at Huntington Beach in Orange County, and of carrying on other similar business. Among other properties which it owns is a telephone system located at Huntington Beach. It asks permission to sell its telephone properties to the newly organized Huntington Beach Telephone Company, which will engage exclusively in the business of maintaining and operating the telephone properties and system.

Huntington Beach Telephone Company has an authorized stock issue of \$50,000 divided into 50,000 shares of \$1 each. None of the stock, except 2500 shares—500 shares to each of the five persons now acting as directors of the company—has been issued. The issue of the stock has never been authorized by the Commission. It was subscribed for pursuant to section 293 of the Civil Code, which requires \$100 of stock per mile of telegraph line to be subscribed for, prior to the filing of the articles of incorporation. Heretofore, the Commission has held that public utilities organized in good faith may issue one share of stock to each director for qualifying purposes. In this instance, it appears to me that a greater number of shares than was necessary to qualify directors was issued, and there is, therefore, some doubt about the validity of the 2500 shares of stock outstanding. To remove this doubt, I believe that the Commission should authorize Huntington Beach Telephone Company to issue 2500 shares of stock in lieu of the 2500 shares of stock heretofore issued without an order from the Railroad Commission.

Huntington Beach Telephone Company asks authority to issue, as said above, \$22,000 of its stock to acquire the telephone properties of Huntington Beach Company. The company submitted an appraisal in which the reproduction cost is reported at \$30,195.94, and the present value at \$15,699.62. The Commission's engineers estimate the historical reproduction cost of the properties at \$20,999, the historical reproduction cost less depreciation, at \$15,902; the reproduction cost new, using 1919 prices, at \$31,353, and the reproduction cost new, using 1919 prices, less depreciation, at \$23,616.

The engineers of the Commission agree with representatives of applicant that the depreciation rates used in applicant's appraisal are too high.

I believe that Huntington Beach Telephone Company should be permitted to issue \$22,000 of stock to acquire the properties of the Huntington Beach Company, and I, therefore, submit the following form of order:

**ORDER.**

Huntington Beach Company having applied to the Railroad Commission for authority to sell its telephone properties to Huntington Beach

Telephone Company, and Huntington Beach Telephone Company having joined in the application and asked permission to issue \$22,000 of stock in payment for the properties, a public hearing having been held, and the Commission being of the opinion that the money, property or labor to be procured or paid for by the issue of stock herein authorized is reasonably required for the purposes specified in this order:

*It is hereby ordered*, that Huntington Beach Company be, and it is hereby, authorized to sell and transfer to the Huntington Beach Telephone Company all of its telephone properties referred to in the petition herein and in Exhibit "A" in Application No. 4472.

*It is hereby further ordered*, that Huntington Beach Telephone Company be, and it is hereby, granted authority to issue \$24,500 par value of its common capital stock.

The authority herein granted is upon the following conditions, and not otherwise:

1. Of the stock herein authorized, \$22,000 shall be issued at not less than par to Huntington Beach Company in payment for the telephone properties herein authorized to be sold and transferred, and \$2,500 shall be issued at par to directors of Huntington Beach Telephone Company in lieu of the \$2,500 of stock heretofore issued without an order from the Railroad Commission; provided, that none of the \$2,500 of stock be issued until the certificates heretofore issued to directors have been returned and canceled.

2. The price at which the telephone properties are herein authorized to be transferred shall not be urged before this Commission, or other public body, as determining the value of said properties for rate fixing or any purpose other than the transfer herein authorized.

3. Within sixty days after the transfer of the properties, Huntington Beach Telephone Company shall file with the Railroad Commission a verified copy of the instrument of conveyance under which it holds title to the properties and advise the Commission of the specific date when the transfer became effective.

4. Huntington Beach Telephone Company shall keep such record of the issue and sale of the stock herein authorized and of the disposition of the proceeds as will enable it to file, on or before the twenty-fifth day of each month, a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

5. The authority herein granted shall apply only to such transfer as may be made and to such stock as may be issued on or before August 1, 1920.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this eleventh day of March, 1920.

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DECISION No. 7242.

IN THE MATTER OF THE APPLICATION OF CLARA VISTA WATER COMPANY, A CORPORATION, FOR AN ORDER PERMITTING IT TO MAKE AN AGREEMENT OF SALE OF ITS ENTIRE WATER WORKS AND PROPERTY TO THE CITY OF COLTON, A MUNICIPAL CORPORATION, OF THE SIXTH CLASS, ACCORDING TO THE TERMS OF A CERTAIN AGREEMENT OF SALE, A COPY OF WHICH SAID AGREEMENT IS ATTACHED HERETO AND MADE A PART OF THE APPLICATION AND MARKED EXHIBIT "A."

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Application No. 4946.

Decided March 11, 1920.

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BY THE COMMISSION.

**ORDER.**

Clara Vista Water Company, owner of a water system and engaged in the business of supplying water for domestic and irrigation purposes, through and by means of said water system, to about one hundred consumers, residing in an area adjacent to and on the east side of the city of Colton, having made application for authority to sell and transfer said water system to the city of Colton, pursuant to the terms and conditions of Exhibit "A" attached to the petition herein, and said city of Colton having joined in the application, and it appearing to the Commission that this is not a case in which a public hearing is necessary and that the application should be granted, subject to the conditions of this order; now, therefore

*It is hereby ordered*, that Clara Vista Water Company be, and it is hereby, authorized to sell to the city of Colton the water properties described in the petition herein, such sale to be made pursuant to the terms and conditions of Exhibit "A" attached to the petition herein.

Provided, that within thirty days after the date of this order the city of Colton file with the Railroad Commission a duly executed stipulation in which it agrees to discharge all public utility obligations now resting upon Clara Vista Water Company in so far as said obligations attach to the properties herein authorized to be sold by said Clara Vista Water Company to the city of Colton; and

Provided, further, that the consideration for which the properties are being acquired by the city of Colton will never be urged before the Railroad Commission, or any other public body, as a measure of value

of said properties for rate-fixing or any purpose other than the transfer herein authorized; and

Provided, further, that within thirty days after the date of this order the city of Colton file with the Commission a schedule of rates, rules and regulations governing the use of water by consumers now being served by Clara Vista Water Company.

Dated at San Francisco, California, this eleventh day of March, 1920.

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DECISION No. 7248.

IN THE MATTER OF THE APPLICATION OF F. F. HOFFMAN AND A. J. CHRISTOPHER, A COPARTNERSHIP, DOING BUSINESS AS THE YREKA-MONTAGUE TRANSPORTATION COMPANY, FOR A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY TO OPERATE AN AUTO STAGE LINE BETWEEN YREKA AND MONTAGUE, IN THE COUNTY OF SISKIYOU.

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Application No. 4513.

Decided March 11, 1920.

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AUTO STAGE CERTIFICATES—RAILROAD COMPETITION.—Where it is shown that the revenue of a rail carrier has been so affected by automobile competition that the establishment of additional auto service would force the road to suspend operation, also that the public served by the railroad are desirous of retaining such service in preference to automobile service alone, the certificate will be denied.

*Collier and McNamara*, for Applicants.

*H. S. Taylor, Harry T. Hennessy and Luttrell and Ley*, for the Yreka Railroad Company.

*H. R. Raynes*, City Attorney, for the city of Yreka.

BY THE COMMISSION.

OPINION.

Applicants in this proceeding desire to establish an auto stage passenger service between the towns of Yreka and Montague, Siskiyou County. The distance by rail between the two points is 7.5 miles and the running time approximately 20 minutes. The railroad was built by public subscription many years ago and represents an investment of about \$100,000.

Proposed automobile service would cover six miles and a 17-minute schedule is contemplated. The two carriers would be in direct competition.

Application contemplates a passenger service only and would employ equipment to accommodate twenty-eight passengers. The time schedule calls for five round trips daily, with a one-way passenger fare of 50 cents.

A hearing was held on this application before Examiner Encell at Yreka, at which time a large number of witnesses testified as to the

convenience and necessity of an additional transportation line between Yreka and Montague; also as to the probable effect of such action upon the service of the existing railroad and upon the two communities affected. While the testimony diverged on such questions as the feasibility of operating an automobile service on a regular schedule during the severe winter weather, the effect on various lines of business and the general attitude of the population with reference to the proposed service, it conclusively showed a strong and predominant conviction that, as between the auto service *alone* and the railroad service *alone*, the latter would be preferable.

Undoubtedly an overwhelming percentage of the traveling public prefers the automobile to other means of transportation available in rural districts, and the present instance is no exception, as the marked decrease in passenger revenue of the Yreka Railroad Company since the advent of automobiles abundantly shows, being a drop from \$16,175.75 in 1912 to \$3,851.68 in 1918, or about 76 per cent in six years. The annual revenue from freight, however, has remained practically stationary during the years indicated, although the evidence shows that considerable quantities of freight are also hauled by truck between Montague and Yreka at the present time. The private automobile and the rent car have, to all appearances, permanently taken away three-fourths of the railroad's passenger business and the same interests are now bidding for the freight.

An extension of the railroad's business appears improbable and the testimony indicates that its revenue will not permit of improvements. On the other hand, the development of auto transportation is continuous. What the lapse of a few years will mean to these communities in the way of transportation rests largely with the population affected. However, the weight of testimony in this proceeding indicates that the public convenience, considering the transportation problem as a unit, is now being handled in a fairly satisfactory manner. The establishment of an additional passenger transportation line, although it would probably serve a limited public convenience, is not a necessity at the present time and would doubtless reduce passenger travel by rail to a minimum. The railroad company affirms that as a result of such reduced passenger patronage its entire operation would have to cease.

The testimony further indicates that one or more substantial business firms in Yreka would probably discontinue and the general community receive a setback should the railroad permanently abandon its service.

For the foregoing reasons, we are of the opinion that public convenience and necessity do not at the present time require the establish-

ment of an auto stage service for passengers between Yreka and Montague and that the application should be denied.

#### ORDER.

F. F. Hoffman and A. J. Christopher having made application to this Commission for authority to operate an auto stage passenger service between the towns of Yreka and Montague, Siskiyou County, a hearing having been held thereon, and it appearing that the public convenience and necessity do not at the present time require the inauguration of the proposed service, the application is hereby denied.

Dated at San Francisco, California, this eleventh day of March, 1920.

#### DECISION No. 7252.

IN THE MATTER OF THE APPLICATION OF THE PACIFIC ELECTRIC RAILWAY COMPANY FOR AUTHORITY TO INCREASE RATES FOR THE TRANSPORTATION OF PETROLEUM AND PETROLEUM PRODUCTS, CARLOADS.

Application No. 4733.

Decided March 12, 1920.

**RAILROAD RATES—COMPARISONS—WEIGHT OF.**—In connection with applications to increase rates it is held that car mile earnings alone are not determinative of a proper adjustment of rates but are significant in determining whether specified commodities are contributing their rightful share of the burden of conducting traffic as a whole.

Revised schedule of rates, petroleum and petroleum products, El Segundo and other points to Los Angeles, established to become effective thirty days after filing.

*Frank Karr*, for the Pacific Electric Railway Company.

*O'Melveny, Milliken and Tuller*, for the Holly Sugar Corporation, the Southern California Sugar Company, and the Santa Ana Sugar Company.

*Jess E. Stevens*, for the city of Los Angeles.

*F. P. Gregson and R. S. Saucyer*, for the Associated Jobbers of Los Angeles, Traffic Department.

*Bishop and Bahler Company*, by *B. H. Carmichael*, for Vernon Oil and Refining Company, A. E. Gilmore and Company, Wilshire Oil Company, Los Angeles Pressed Brick Company, Graham-Loftus Oil Company, and California Petroleum Exchange.

*LOVELAND, Commissioner.*

#### OPINION.

This application was heard and decision rendered on November 28, 1919, Decision No. 6881. Upon request of applicant the proceeding was reopened for further hearing.

It was originally proposed to make a uniform advance of  $4\frac{1}{2}$  cents per 100 pounds over the rates in effect prior to June 25, 1918, but not to exceed the fifth class rates as increased on that date. At the rehearing applicant substituted for the  $4\frac{1}{2}$  cents increase a complete

table of commodity rates which are alleged to be reasonable and to have the effect of removing the discrimination now existing between the different localities, which condition would be simply perpetuated by the application of a flat  $4\frac{1}{2}$  cents advance, as originally proposed.

Following is a reproduction of the table appearing on page 532 of Decision No. 6881, *supra*, with an additional column showing the rates finally proposed by applicant. The order of the columns from left to right are:

1. Rates in effect prior to June 25, 1918.
2. Present rates (25 per cent increase effective June 25, 1918).
3. Rates originally proposed.
4. Rates finally proposed.

To	Petroleum crude oil, petroleum gas oil, petroleum fuel oil, viz, refinery residuum, carloads											
	Rates in cents per ton of 2,000 pounds											
	From Los Angeles				From El Segundo				From Stewart			
	1	2	3	4	1	2	3	4	1	2	3	4
Los Angeles -----					40	50	130	130	40	50	130	130
San Pedro -----	40	50	130	130	60	80	150	130	80	100	170	170
Whittier Groves -----	50	60	140	130	90	110	180	150	90	110	180	130
North Pomona -----	60	80	150	150	100	130	190	170	100	130	190	170
Sherman -----	75	90	170	90	115	140	210	140	115	140	210	140
Santa Ana -----	80	100	170	100	100	130	190	130	80	100	170	100
Sierra Madre -----	100	130	190	130	100	130	180	150	100	130	190	150
San Fernando Mission	125	160	220	160	125	160	220	160	125	160	220	180

In further justification of its allegation that present rates are unduly low, applicant submitted an exhibit showing certain selected commodities moved during the fiscal year ending June 30, 1914, from which the following is an extract:

Commodity	Average distance carried (miles)	Average rate per ton	Average rate per ton per mile	Average loading per car in tons	Average revenue per car	Average revenue per car mile
Crude and fuel oil, and oils tak- ing same rate.-----	20.6	\$0 45	\$0 0216	44.4	\$19 82	\$0 96
Refined oils -----	22.2	69	0313	31.7	22 00	1 00
Crushed rock -----	25.6	39	0151	36.1	13 33	52
Sand and gravel.-----	21.6	43	0196	42.3	18 33	84
Brick -----	14.0	53	0385	31.2	16 48	1 17
Lumber -----	21.1	93	0450	28.7	24 75	1 17
Lime rock -----	16.0	50	0312	69.0	19 55	1 22
Asphaltum -----	17.1	98	0545	34.9	34 32	2 01
Coal -----	15.9	96	0606	34.6	33 21	2 09
Cement -----	12.9	91	0378	30.0	29 22	2 26



From the preceding table it will be seen that with the exception of crushed rock, sand and gravel, which are extremely low-rated commodities, the average revenue per car mile is in each instance more than for either the crude or refined oils.

While this traffic movement covers a period some years past, it is representative of the present in so far as relationship of the different commodities is concerned.

It is not to be understood that car mile earnings alone are determinative of the proper adjustment of rates. Such figures, however, when placed in juxtaposition, are significant in determining whether a certain commodity is contributing in proper proportion to transportation revenues, thereby assuming its rightful share of the burden of conducting traffic as a whole.

In support of the reasonableness of rates finally proposed, applicant testified that they were based upon a comparison of rates in California, Texas, Oklahoma and other large producing points. An exhibit was introduced showing a mileage scale of oil rates in the two states last named, but no specific examples were cited in California and the other districts used in comparison, nor was a showing made that transportation conditions are substantially similar, as is usually required in order to complete the rate comparisons.

The testimony adduced by applicant does not justify the granting of its petition in toto and it therefore becomes necessary to ascertain if some partial relief may be given, in order that the general inadequacy of revenue which has been so clearly demonstrated may be overcome.

Following is a comparison of rates applying between points on applicant's line taken from exhibits of record. Except as otherwise shown the rates apply to crude and fuel oil and are stated in dollars and cents per ton of 2000 pounds.

From	To	Miles	Prior to June 25, 1918	Present, effective to June 25, 1918
El Segundo -----	Los Angeles -----	17	\$0 40	\$0 50
Wilmington -----	Los Angeles -----	19		
Los Angeles -----	San Pedro -----	21		
Oleo -----	Los Angeles -----	25		
El Segundo -----	Compton -----	15	60	80
	Long Beach -----	24	80	1 00
	Long Beach -----	8	80	1 00
Wilmington -----	Redondo Beach -----	18	80	1 00
	Huntington Beach -----	22	1 00	1 30
	Santa Monica -----	16	85	1 10
Los Angeles -----	Colegrove -----	20	95	1 20
	Covina -----	23	60	80
Oleo -----	Watts -----	24	60	80
	Compton -----	27	75	90

By this table it will be noted that the rate from El Segundo, Wilmington and Oleo to Los Angeles and from Los Angeles to San Pedro of 50 cents, which applies to both crude oil and refined products, is much lower than the crude oil rate from any of the other points used in comparison, where rates ranging from 80 cents to \$1.30 are in effect.

This is also true of other places, but it will not be necessary to set them forth in detail, as the foregoing will suffice to show that applicant's rates are in some instances low and out of harmony with those for substantially similar service between other points on its line.

Upon a careful consideration of the additional testimony submitted, I am of the opinion that applicant has failed to justify the granting of application in its entirety, but that it has been shown that certain rates are unduly depressed. I therefore recommend that the following rates be established and that the balance of petition be dismissed. For purpose of convenient comparison, the present rates and those applied for are shown opposite the rates recommended to be granted:

**Crude and Fuel Oil, Carloads—Rates per Ton of 2000 Pounds.**

From	To	Present rate	Rate requested	Rate granted
El Segundo -----	Los Angeles -----	\$0 50	\$1 30	\$0 80
Wilmington -----				
San Pedro -----				
Stewart -----				
Oleo -----				
Los Angeles -----	Dyer -----	1 00	1 50	1 20
	Huntington Beach -----			
	Torrance -----	50	1 30	80
El Segundo -----	Redondo Beach -----	50	1 30	80
Sherman Junction -----	Los Angeles -----	60	1 30	80
	Redondo Beach -----			

**Refined Oil—Rates per Ton of 2000 Pounds.**

From	To	Present rate	Rate requested	Rate granted
El Segundo -----	Los Angeles -----	\$0 50	\$1 30	\$0 80
Wilmington -----				
San Pedro -----				
Stewart -----				

Rates for crude and fuel oils should apply to the articles now listed in applicant's tariff at same rates, as set forth in subjoined Paragraph A, while the rates for refined oils should likewise include the com-

modities now listed at such rates, as per the following extract from applicant's tariff designated Paragraph B:

**PARAGRAPH A.**

Oils, Petroleum or petroleum products, viz: petroleum crude oil, petroleum gas oil, petroleum road oil; also petroleum fuel oil, viz, refinery residuum, in packages, carloads, minimum weight 30,000 pounds, or in tank cars subject to rules and estimated weights of current Western Classification and current Exception Sheet.

**NOTE.**—Will not apply on petroleum refined oil (illuminating or burning), engine (naphtha) distillate, gasoline, benzine or naphtha.

**PARAGRAPH B.**

Oils, Petroleum or petroleum products, including compounded oils or greases having a petroleum base (except petroleum crude oil, straight carloads; also petroleum fuel oil, viz, refinery residuum, straight carloads), as specified under heading of petroleum or petroleum products in current Western Classification, in packages, carloads, minimum weight 30,000 pounds, or in tank cars subject to rules and estimated weights of current Western Classification and current Exception Sheet.

Further adjustments may be necessary to effect a harmonious relationship of rates between points embodied in the opinion and other points on line of applicant, in which event consideration will be accorded on the informal docket.

The following form of order is submitted:

**ORDER.**

Petition having been received for rehearing in this application, same having been duly heard on rehearing, and the Railroad Commission being fully apprised in the premises, the Railroad Commission hereby finds as a fact that the existing rates of petitioner on petroleum and petroleum products between the points hereinafter shown are unduly low and that the rates herein set forth are just and reasonable rates.

Basing this order on the foregoing finding of fact and the further findings of fact contained in the opinion which precedes this order;

*It is hereby ordered*, that the Pacific Electric Railway Company be and the same is hereby authorized to publish and file in tariff effective thirty (30) days after filing with the Commission, the following rates:

**Crude and Fuel Oils and Articles Described in Paragraph A of Preceding Opinion.**

From	To	Rates per ton of 2,000 pounds
El Segundo -----	Los Angeles -----	\$0 80
Wilmington -----		
San Pedro -----		
Stewart -----		
Oleo -----		
Los Angeles -----	{ Dyer ----- }	80
	{ Huntington Beach ----- }	
	{ Torrance ----- }	
El Segundo -----	Redondo Beach -----	80
Sherman Junction -----	{ Los Angeles ----- }	80
	{ Redondo Beach ----- }	

## Refined Oils and Articles Described in Paragraph B of Preceding Opinion.

From	To	Rates per ton of 2,000 pounds
El Segundo -----	Los Angeles -----	\$1 00
Wilmington -----		
San Pedro -----		
Stewart -----		

*It is hereby further ordered*, that the order in our Decision No. 6881, dated November 28, 1919, shall remain in full force and effect, except as modified by the order herein.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twelfth day of March, 1920.

## DECISION No. 7254.

IN THE MATTER OF THE APPLICATION OF PACIFIC ELECTRIC RAILWAY COMPANY, SOUTHERN PACIFIC RAILROAD COMPANY, AND SOUTHERN PACIFIC COMPANY, TO DISMANTLE AND REMOVE THE WHARF AT PORT LOS ANGELES AND TO REMOVE CERTAIN RAILROAD TRACKS ON AND ADJACENT THERETO IN THE COUNTY OF LOS ANGELES, CALIFORNIA.

Application No. 4948.

Decided March 12, 1920.

**WHARVES—ABANDONMENT OF.**—A wharf which has deteriorated to a point where it has become a menace to navigation and to other wharves in the vicinity should be abandoned and removed irrespective of the fact that it is still used to a small extent by fishermen, etc.

Applicant authorized to abandon and remove its wharf at Port Los Angeles.

*Frank Karr*, for Applicants.

*Victor R. McLucas*, City Attorney, for the city of Santa Monica.

*Clifton Oliver*, in *propria persona*.

*F. G. Sherlock*, for wholesale fish dealers in Los Angeles.

*E. A. Carmichael* and *H. D. Potter*, for the Los Angeles Pressed Brick Company.

**BRUNDIGE**, Commissioner.

**OPINION.**

In this proceeding applicants request the Railroad Commission to authorize them to abandon, tear down and remove the remaining portion of what is known as the long wharf at Port Los Angeles, north of the city of Santa Monica, in Los Angeles County, and to abandon and remove all railroad tracks lying west of a point in map marked "Exhibit A" and attached to the application filed in this proceeding, said point being designated on said map as "B.C. 470+84.5 (P.E.)"

and "120 + 92.5 (S. P.)," the same being a short distance east of the location of the wharf which the applicants desire to remove.

A public hearing on this application was held in Los Angeles on Tuesday, December 23, the matter was duly submitted, and now is ready for decision.

It appears that the Southern Pacific Railroad Company owns the property sought to be abandoned, and that the Southern Pacific Company has a leasehold estate therein, as lessee, from said Southern Pacific Railroad Company, and that Pacific Electric Railway Company, as successor in interest to Los Angeles Pacific Company, has a leasehold interest as lessee in said property from Southern Pacific Railroad Company and Southern Pacific Company.

The wharf which it is sought to abandon was constructed by the Southern Pacific Railroad Company under the provisions of an ordinance adopted by the county of Los Angeles February 29, 1892, and effective March 20, 1892, granting the privilege of maintaining said wharf for a period of twenty years thereafter. This right expired by limitation on March 20, 1912.

When originally constructed, this wharf was six thousand six hundred sixty-eight and two-tenths (6668.2) feet in length from the high water mark on the shore of the Pacific Ocean, and was extensively used by the Southern Pacific Railroad Company and the Southern Pacific Company for many years, particularly for the receipt and shipment of coal and other heavy commodities.

After the construction of the so-called "long wharf" at Port Los Angeles, there ensued for a term of years in the early '90s, a spirited and more or less acrimonious controversy between the merits and advantages of Port Los Angeles and the rival port of San Pedro, as a harbor and port of entrance for the commerce of the rapidly growing city of Los Angeles and the territory tributary thereto. This controversy culminated in the federal government making an appropriation for the building of a breakwater at San Pedro and for other improvements at that point. Thereafter gradually the bulk of the coastwise and other water traffic for that section begun to concentrate at San Pedro, and about the years 1903 and 1904, after the development of oil for fuel instead of coal, the Southern Pacific Company transferred the principal part of its business in southern California to the port of San Pedro. Since that time the wharf at Port Los Angeles has been unused for commercial purposes except such use as has been made of it by the Los Angeles Pacific Company and the Pacific Electric Railway Company, its successor in interest.

Several years ago the outer end of the wharf was damaged by storms and it became necessary to dismantle and remove about two thousand feet thereof. The remaining portion of the wharf, which it is now sought

to abandon and remove, has been utilized mainly in recent years for the receipt of fish and its shipment to the Los Angeles market, there having grown up along the beach, just west of the wharf, a small community known as the Japanese Fishing Village, the majority of the inhabitants being engaged in deep-sea fishing for supplying in part the markets of southern California with fish. This fishing village was located upon lands owned or controlled by the applicants, who have refused to renew the leases, and within the last year the fishing village has almost entirely disappeared. With the disappearance from this locality of the fishing boats owned or operated by the Japanese formerly located there, the receipt of fish over this wharf has become less and less and has practically disappeared.

The proposed abandonment and removal of the wharf and of the railroad tracks leading thereto was opposed by the city of Santa Monica, by several persons interested in the fishing industry, and by one hundred and fifty-four citizens, most of whom reside in Santa Monica, who filed with the Commission a petition requesting that the application under consideration be denied. It was the contention of the city of Santa Monica that the Pacific Electric Railway Company is receiving considerable revenue from the shipment of fish, and that this revenue could be considerably increased if the company could provide a more satisfactory service than in the past. In the main this also was the contention of others opposed to the abandonment of the wharf and of the tracks leading thereto.

The Pacific Electric Railway Company submitted exhibits showing the revenue derived from freight received at and forwarded from Port Los Angeles during the years 1917 and 1918 and for the first nine months of 1919. These figures showed that during the latter half of 1918 the Pacific Electric Railway received from freight forwarded from Port Los Angeles only the sum of 50 cents, and that from January to October, in 1919, nothing at all from this source. For the same period in 1919 the company had a revenue of \$1,139.37 derived from freight received, but claimed that approximately \$900 of that amount was received for transporting roadmaking material for street improvements.

Inasmuch as most of the fish shipped over the Pacific Electric Railway is carried by express, the company also submitted an exhibit showing its revenue from this source. From express received and forwarded in 1917 the Pacific Electric Railway Company received, as its proportion of the total charge, the sum of \$2,903.79, in 1918, \$2,303.55, and for the first ten months in 1919, \$1,453.63.

Applicants allege that the wharf is in a state of disrepair and that in its present condition is a menace to navigation, and that there is

no business now originating over the wharf, or capable of being developed, which justify the necessary expenses of reconstruction. The city of Santa Monica, which maintains a municipal pier used for pleasure purposes and for the purpose of conducting an outfall sewer into the Pacific Ocean, also asks the Commission to require the applicants to maintain the wharf under consideration in such state of repair that it will not become a menace to the municipal pier of Santa Monica and other pleasure piers in said city.

An inspection of the wharf under consideration was made by engineers employed by the Railroad Commission, and while these engineers are of the opinion that the wharf at the present time is not in a particularly dangerous condition, it is evident that the applicants will be called upon from time to time to expend considerable sums to maintain the structure in such repair that it may not become a menace to other piers along the coast and to navigation.

From all the evidence presented there seems to be no necessity which requires the further maintenance of the wharf under consideration, or for the maintenance of the tracks leading thereto, and the petition of the applicants should be granted.

I therefore submit the following form of order:

#### ORDER.

The Pacific Electric Railway Company, the Southern Pacific Railroad Company, and the Southern Pacific Company, having applied to the Railroad Commission for authority to dismantle and remove the wharf at Port Los Angeles and to remove certain railroad tracks on and adjacent thereto, in the county of Los Angeles, California, a public hearing having been held, and the Commission being of the opinion that the application should be granted;

*It is hereby ordered*, that the Pacific Electric Railway Company, the Southern Pacific Railroad Company, and the Southern Pacific Company be, and they hereby are, authorized to abandon, dismantle and remove the aforesaid wharf at Port Los Angeles, in a manner that will not in anywise endanger the safety of the municipal pier in the city of Santa Monica and other pleasure piers and structures along the coast in Santa Monica Bay, or in anywise prove dangerous to navigation in that vicinity.

*It is further ordered*, that the Pacific Electric Railway Company, the Southern Pacific Railroad Company, and the Southern Pacific Company be, and they are hereby, authorized to abandon and remove certain railroad tracks owned by them, situated west of a point designated as "B.C. 470+84.5 (P.E.)" and "120+92.5 (S.P.)" on a map attached to the application filed with the Railroad Commission in this matter, the map being marked for identification as "Exhibit A."

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twelfth day of March, 1920.

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DECISION No. 7260.

IN THE MATTER OF THE APPLICATION OF THE CITY OF PLACERVILLE, A MUNICIPAL CORPORATION, THAT THE RAILROAD COMMISSION FIX THE JUST COMPENSATION WHICH SHOULD BE PAID BY SAID CITY FOR THE PROPERTIES OF THE PLACERVILLE WATERWORKS, IN SAID CITY.

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Application No. 4563.

Decided March 12, 1920.

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*B. D. Marx Greene*, for the city of Placerville.

*Percy A. Wood* and *Alexander R. Baum*, for the Placerville Waterworks.

*BRUNDIGE*, Commissioner.

**OPINION.**

The above entitled matter is a proceeding brought by the city of Placerville under the provisions of section 47 of the Public Utilities Act, requesting that the Railroad Commission fix and determine the just compensation to be paid by the said city of Placerville to Placerville Waterworks for its public utility water system which supplies water for domestic use to consumers in Placerville.

A public hearing was held in Placerville, at which all interested parties were given an opportunity to appear and be heard.

The engineering department of the Railroad Commission made extensive field investigation of the water system in question, and based its appraisal upon the data thus secured and upon an inspection of the records of the utility. The Commission's engineers adhered to the principle heretofore established, that the date of the valuation shall be as of the date of the filing of the application, and that the prices of labor and material prevailing over a reasonable construction period prior to the date of the appraisal shall be used in estimating unit costs.

The estimated reproduction cost new, as submitted by the Commission's engineers, was made on the basis of a six months construction period ending May 7, 1919, the date of the filing of the application herein, and reflected the prices of labor and material during that period. The reproduction cost less depreciation was arrived at by taking into account all factors bearing on the condition of the property.

The appraisal submitted by the engineer for the city of Placerville was based upon average prices of labor and material during the five-year period from 1911 to 1915, inclusive.



The owners of the property did not present an appraisal and no records of actual cost of the system were available.

Testimony shows that some of the distribution pipe lines are of small size and that consumers on the higher elevations are receiving inadequate service at certain times.

The engineers for both the city and the Commission testified that it would be possible to construct a water system which would give increased pressure and better service to consumers than the system owned by Placerville Waterworks, and at a cost which compares very favorably with the reproduction cost less depreciation of the present system.

After a careful consideration of all of the elements of value going to make up the property sought to be acquired by the city of Placerville in this proceeding, it appears that the just compensation to be paid for the same is \$24,000, and I accordingly submit the following findings:

#### **FINDINGS.**

City of Placerville, a municipal corporation, having filed with the Railroad Commission an application as entitled above, and the Railroad Commission having proceeded to fix and determine the just compensation to be paid by the city of Placerville to Placerville Waterworks for the public utility water system owned by said Placerville Waterworks, under the provisions of section 47 of the Public Utilities Act, and the Commission being fully advised in the matter;

It is hereby found as a fact, that the just compensation to be paid by the city of Placerville to Placerville Waterworks for the property more particularly described in "Appendix A," attached hereto and made a part of the findings herein, is the sum of \$24,000.

The foregoing opinion and findings are hereby approved and ordered filed as the opinion and findings of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twelfth day of March, 1920.

#### **APPENDIX "A."**

**Description of Property to be Acquired by City of Placerville from Placerville Waterworks, as Covered in Application No. 4563.**

A full and complete description of the public utility property and rights, which it is intended to acquire, is as follows:

All that portion of lot 12, block 22, city of Placerville, owned by Placerville Waterworks and occupied by reservoir No. 1 and appurtenant structures, and containing approximately 3 acres.

Lot 1, block 58, city of Placerville, occupied by reservoir No. 2 and appurtenant structures, and containing approximately 0.45 acre.

Lot 25, block 40, city of Placerville, occupied by the office building, and containing approximately 0.046 acre.

Easements and rights of way for pipe lines granted to Placerville Waterworks by Placerville Gold Mining Company, by William Crook and wife and by Jeanett Turney.

Reservoir No. 1, consisting of an earth fill dam with concrete division wall, sluice gates, spillways, fencing and other appurtenant structures.

Reservoir No. 2, consisting of an earth fill dam with concrete division wall, outlet gates and pipes, fencing and all other appurtenant structures.

Office building located upon lot 25, block 40, city of Placerville.

Transmission pipe line, approximately 2315 feet long, leading from El Dorado Water Company's reservoir to Placerville Waterworks. Reservoir No. 1 with all fittings, valves and appurtenant structures.

The distribution pipe system consisting of the following kinds, sizes and approximate lengths of pipe:

483 feet of 10-inch 18-gage riveted steel pipe.  
 350 feet of 10-inch 16-gage riveted steel pipe.  
 650 feet of 10-inch 14-gage riveted steel pipe.  
 110 feet of 4-inch 16-gage riveted steel air pipe.  
 800 feet of 10-inch machine banded wood stave pipe.  
 980 feet of 8-inch machine banded wood stave pipe.  
 90 feet of 2-inch standard screw air pipe.  
 996 feet of 8-inch cast-iron pipe, class "B."  
 3030 feet of 6-inch cast-iron pipe, class "B."  
 2815 feet of 4-inch cast-iron pipe, class "B."  
 6250 feet of 3-inch cast-iron pipe, class "A."  
 1416 feet of 3-inch standard screw pipe.  
 1820 feet of 2-inch standard screw pipe.  
 260 feet of 1½-inch standard screw pipe.

All valves, fittings, service pipes, etc., on the distribution pipe system.

All records, books, office furniture, tools and supplies owned by Placerville Waterworks.

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#### DECISION No. 7268.

IN THE MATTER OF THE APPLICATION OF ANTELOPE CREEK AND RED BLUFF WATER COMPANY FOR AN ORDER AUTHORIZING THE ISSUE OF NOTES.

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Application No. 5381.

Decided March 15, 1920.

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*Elliott McAllister*, for Applicant.

BY THE COMMISSION.

#### OPINION.

Antelope Creek and Red Bluff Water Company asks permission to issue its unsecured 6 per cent note or notes for the sum of \$20,000.

A public hearing was held on this application before Examiner Satterwhite at San Francisco on March 10.

Applicant reports that on February 26, 1916, it issued, pursuant to the authority granted by Decision No. 3095, dated February 14, 1916, an \$11,000 note, and that there is due on this note a balance of \$4,000. Applicant asks authority to use part of the proceeds obtained through the issue of the notes applied for in this application to pay the balance due on the note issued under the Commission's decision of February 14, 1916, and use the remainder to reimburse its treasury because of earnings invested in fixed capital.

Applicant reports that it will be necessary for it to purchase approximately 7000 feet of 12-inch pipe to replace part of its transmission main. It is for the purpose of securing funds to make this replacement that applicant asks permission to issue a note or notes. The testimony shows that applicant has invested in fixed capital earnings in excess of \$16,000 and that it may therefore be permitted to borrow \$20,000 for the purposes indicated.

In Decision No. 7136, dated February 13, 1920, the Railroad Commission determined the present value of applicant's properties for rate fixing at \$135,707. Applicant reports no indebtedness outstanding except the \$4,000 still due on the note issued under a former order of the Commission.

Applicant asks permission to issue a note or notes for a term of one year and to renew the same from time to time, if necessary. It intends to pay at least \$2,000 of the principal of the note or notes each year.

#### ORDER.

Antelope Creek and Red Bluff Water Company, having applied to the Railroad Commission for permission to issue a note or notes in the principal sum of \$20,000, a public hearing having been held, and the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose or purposes specified in this order, and that the expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income;

*It is hereby ordered*, that Antelope Creek and Red Bluff Water Company be, and it is hereby, authorized to issue its 6 per cent note or notes for the sum of not exceeding \$20,000.

The authority herein granted is upon the following conditions:

1. The note or notes herein authorized shall be issued by applicant for not less than par, and \$4,000 used to pay the balance due on note issued under the authority granted by the Commission in Decision No. 3095, dated February 14, 1916, and the remainder to reimburse applicant because of earnings invested in fixed capital; provided, that such remainder be used by applicant to acquire and install the 7000 feet of 12-inch transmission main referred to in the petition herein.

2. Applicant may issue the note or notes herein authorized for a term of one year and renew the same from time to time by issuing a note or notes for a similar term; provided, that upon each renewal \$2,000 of the principal is paid.

3. Antelope Creek and Red Bluff Water Company shall keep such record of the issue and sale of the note or notes herein authorized and of the disposition of the proceeds as will enable it to file, on or before the twenty-fifth day of each month, a verified report as required by

the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

4. The authority herein granted will not become effective until applicant has paid the fee prescribed in the Public Utilities Act.

5. The authority herein granted will apply only to such note or notes as may be originally issued on or before November 1, 1920.

Dated at San Francisco, California, this fifteenth day of March, 1920.

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DECISION No. 7269.

IN THE MATTER OF THE APPLICATION OF RUSSIAN RIVER WATER COMPANY FOR AN ORDER CONFIRMING PURCHASE OF OPERATIVE PROPERTIES AND LEASE OF WATERSHEDS FROM NORTH SHORE LAND COMPANY.

Application No. 5299.

IN THE MATTER OF THE APPLICATION OF RUSSIAN RIVER WATER COMPANY FOR AN ORDER AUTHORIZING THE ISSUANCE OF TREASURY STOCK.

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Application No. 5300.

Decided March 15, 1920.

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*A. F. Lemberger*, for Applicants.

BY THE COMMISSION.

**OPINION.**

Russian River Water Company, in Application No. 5299, asks the Railroad Commission to approve, ratify and confirm the sale and lease of certain public utility properties of North Shore Land Company to Russian River Water Company. In Application No. 5300 it requests authority to issue its stock at par to take up its note to T. C. Mellersch for \$14,000 and to issue to him its stock of the par value of \$9,400 at par to apply on an open account of \$9,412.75 in his favor for cash advances.

At the hearing held before Examiner Westover the above entitled applications were consolidated for hearing and decision.

Some of the properties in question were sold and others leased to Russian River Water Company on November 1, 1919, without the previous authority of the Commission, required by section 51 of the Public Utilities Act. The Commission has no power to confirm or approve a void act. It will therefore view this application as a request of North Shore Land Company, which joins in the application, for authority to hereafter sell and lease certain properties. The record shows that the attempted sale and lease of the properties was made through inadvertence and with no intention to evade the terms of the Public Utilities Act.

The properties in question are used to supply water to residents of Monte Rio, Sheridan, Mesa Grande and vicinity along the Russian River in Sonoma County.

In Decision No. 3968, dated December 29, 1916 (Vol. 12, Opinions and Orders of the Railroad Commission of California, p. 142), it appears that the Commission's engineers estimated the reproduction cost new of the water system of the North Shore Land Company, which it desires to *sell* at \$10,574. Since the appraisal of the properties, approximately \$3,300, according to the testimony herein, has been expended in the construction of additions and betterments. The agreed purchase price of the system is \$14,000. The purchaser borrowed the money from T. C. Mellersch, its president, paid it to the seller, and issued to Mr. Mellersch its six months note for the \$14,000.

North Shore Land Company also asks permission in Application No. 5299 to lease to Russian River Water Company for a term of five years the right and privilege to take and use, for the purpose of supplying water, the water flowing and originating on about 606 acres of land consisting of watershed lands of Sheridan, Mesa Grande, Harrison School House, Crawford and Madame Walker creeks, together with certain lots and other property of minor importance. For the purpose of fixing the annual rental, the value of the land has been assumed to be \$10 an acre or \$6,060. Russian River Water Company has agreed to pay an annual rental equivalent to 5 per cent on \$6,060, and urges that such rental will be less than the cost of obtaining a sufficient water supply from wells.

Russian River Water Company was organized in April, 1917, with an authorized stock issue of \$50,000, divided into 500 shares of \$100 each. It is the intention of the company to acquire ultimately not only the properties of North Shore Land Company mentioned above but also the properties of Mount Jackson Water and Power Company, Russian River Heights Water Company and certain other properties. Practically all of the outstanding stock of North Shore Land Company, Mount Jackson Water and Power Company and Russian River Heights Water Company is owned by T. C. Mellersch. The testimony shows that besides advancing the \$14,000 already referred to he has advanced moneys from time to time to Russian River Water Company aggregating \$9,412.75, of which it in turn has advanced \$3,984.81 to Mount Jackson Water and Power Company and \$1,457.01 to Russian River Heights Water Company and retained \$3,970.93. Mr. Mellersch is willing to accept at par \$3,900 face value of stock of Russian River Water Company as part of the \$3,970.93 retained by it, which represents in the main working capital of that company used and necessary

in its public utility operations. Leave was granted at the hearing to amend the application to conform to the above proof.

**ORDER.**

Russian River Water Company and North Shore Land Company having applied to the Railroad Commission for permission to transfer and lease properties, and Russian River Water Company having applied for permission to issue stock, a public hearing having been held, and the Commission being of the opinion that the money, property or labor to be acquired by such issue is reasonably required by Russian River Water Company;

*It is hereby ordered*, that North Shore Land Company be and it is hereby granted permission to hereafter transfer to Russian River Water Company the personal property and rights of way described in the bill of sale attached to Application No. 5299.

*It is hereby further ordered*, that North Shore Land Company and Russian River Water Company be, and they are hereby, authorized to hereafter enter into a lease substantially in the form of lease attached to Application No. 5299 and bearing the date of November 1, 1919.

*It is hereby further ordered*, that Russian River Water Company be, and it is hereby, authorized to issue, at not less than par, \$14,000 par value of its common stock to liquidate note for that sum issued to T. C. Mellersch for \$14,000 cash advanced by him to acquire the properties which North Shore Land Company is herein authorized to sell; also to issue at not less than par to T. C. Mellersch \$3,900 of stock at par to pay that amount of indebtedness represented by accounts payable.

The authority herein granted is upon the following conditions and not otherwise:

1. The \$3,900 of stock referred to in this order shall not be issued until Russian River Water Company has acquired by a properly executed deed or instrument of conveyance the properties which North Shore Land Company is herein authorized to sell to Russian River Water Company.

2. Neither the price at which North Shore Land Company is herein authorized to sell properties nor the rental mentioned in the lease which the Commission herein authorizes to be executed shall be urged before this Commission, or any other public body having jurisdiction, as a measure of value of the properties referred to in this decision for the purpose of fixing rates or any purpose other than the transfer and lease herein authorized to be executed.

3. Russian River Water Company shall keep such record of the issue and sale of the stock herein authorized and of the disposition of the proceeds as will enable it to file, on or before the twenty-fifth day

of each month, a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

4. The authority herein granted to issue stock shall apply only to such stock as may be issued on or before August 1, 1920.

Dated at San Francisco, California, this fifteenth day of March, 1920.

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DECISION No. 7272.

IN THE MATTER OF THE APPLICATION OF MARY JOSIE HYNES FOR  
LEAVE TO INCREASE RATE FOR SERVING AND SUPPLYING  
WATER FOR IRRIGATION.

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Application No. 5284.

Decided March 15, 1920.

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*M. J. McGarry*, for Applicant.

*K. W. Falkner*, for Consumers.

*BRUNDIGE*, Commissioner.

**OPINION.**

Mary Josie Hynes, applicant herein, is the owner of a small water utility located at El Monte, near San Gabriel, in Los Angeles County, California. The pumping plant and well from which the supply is obtained are located on a 32-acre tract of ground which applicant owns. Practically all of this land is leased to Japanese gardeners. Water is supplied to these lessees and to other residents in the immediate vicinity, the total number of consumers being 18 for irrigation and 8 for domestic service.

In this proceeding applicant asks for authority to increase the rate for irrigation water charged consumers in the territory served by her. The present rates are \$2 per hour's operation of the pump for irrigation, and \$2 per month flat rate for domestic service.

A field investigation was made of the properties of applicant and the records covering maintenance and operation expenses and annual income were examined by a representative of the Commission's engineering department. A public hearing was held in this matter and all interested parties were given an opportunity to be heard. It appears from the testimony presented at the hearing that the rates at present charged by applicant for irrigation service are compensatory and remunerative, and that applicant is not entitled to an increased rate.

I therefore recommend the following order:

**ORDER.**

Mary Josie Hynes having made application to the Railroad Commission, as entitled above, for authority to increase rates for irrigation

water to consumers in the territory served by her, a field investigation having been made and public hearing held, and the Commission being fully apprised in the premises:

It is hereby found as a fact that the present rates charged by applicant for irrigation service are compensatory and remunerative,

And basing its order upon the foregoing finding of fact and the other statements of fact contained in the opinion which precedes this order;

*It is hereby ordered*, that the application of Mary Josie Hynes to increase rates for serving and supplying water for irrigation be and the same is hereby denied.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this fifteenth day of March, 1920.

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DECISION No. 7273.

IN THE MATTER OF THE APPLICATION OF SANTA BARBARA TELEPHONE COMPANY FOR A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY TO EXERCISE THE RIGHTS AND PRIVILEGES GRANTED BY THE COUNTY OF SANTA BARBARA.

Application No. 4934.

IN THE MATTER OF THE APPLICATION OF SANTA BARBARA TELEPHONE COMPANY FOR A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY TO EXERCISE THE RIGHTS AND PRIVILEGES GRANTED BY THE CITY OF SANTA MARIA.

Application No. 4935.

IN THE MATTER OF THE APPLICATION OF SANTA BARBARA TELEPHONE COMPANY FOR A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY TO EXERCISE THE RIGHTS AND PRIVILEGES GRANTED BY THE CITY OF LOMPOC.

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Application No. 4936.

Decided March 15, 1920.

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*Chickering and Gregory*, by *Allen L. Chickering*, for Santa Barbara Telephone Company.

*J. F. Frick*, for the city of Lompoc.

*C. L. Preisker*, for the city of Santa Maria.

*J. F. Frick, C. L. Preisker, S. J. Stanwood, John Torrance and H. S. Dedrick* (members of the board of supervisors), for the board of supervisors of the county of Santa Barbara.

*N. P. Pouley*, for the Pacific Telephone and Telegraph Company.

*LOVELAND, Commissioner.*

**OPINION.**

These three applications belong to the class of so-called applications for certificates of public convenience and necessity and were made in



compliance with section 50 (b) of the Public Utilities Act, which requires all public utilities to obtain the Commission's approval before exercising any franchise granted by any municipality or county.

The nature of the three applications is identical: the cities of Santa Maria and Lompoc and the county of Santa Barbara have passed ordinances (Nos. 190, 87 and 394, respectively) permitting the Santa Barbara company to function as a telephone utility in their several territories, and the company asks authority to fulfill and enjoy the provisions of the franchises so granted.

A joint hearing was held in Santa Barbara on November 24, 1919. At this hearing it was shown that there is no new matter requiring investigation in the three ordinances, but that the franchises merely extend for a longer period of time privileges which had previously been granted by the cities and the county and had been confirmed by the Commission in former decisions. Since there was no competing company to oppose the application, the matters were submitted without question.

I suggest the following form of order:

#### **ORDER.**

Santa Barbara Telephone Company having applied to the Railroad Commission for certificates of public convenience and necessity to exercise the rights and privileges granted under franchises of (1) the city of Lompoc (ordinance No. 190), (2) the city of Santa Maria (ordinance No. 87) and (3) the county of Santa Barbara (ordinance No. 394), all as described in the applications listed above; a hearing having been held, and copies of said franchises and stipulations as to applicant's claims for the values thereof having been duly filed by Santa Barbara Telephone Company in form satisfactory to this Commission:

The Railroad Commission of the State of California hereby declares that public convenience and necessity require and will require the exercise by Santa Barbara Telephone Company of the rights and privileges of the franchises hereinbefore described.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this fifteenth day of March, 1920.

DECISION No. 7274.  
THE SAN PEDRO CHAMBER OF COMMERCE  
vs.  
PACIFIC ELECTRIC RAILWAY COMPANY.

Case No. 1331.

Decided March 15, 1920.

*J. E. Stephens*, for Complainant.

*Frank Karr*, for Defendant.

LOVELAND AND BRUNDIGE, *Commissioners*.

**OPINION.**

This complaint deals with the Pacific Electric Railway Company's local service in San Pedro and with main line track changes, depot facilities and traffic congestion, all in San Pedro. The Commission is asked to make its order to the Pacific Electric Railway Company in the following four matters:

1. Requiring the installation of a 20-minute through service continuously from 6 a.m. to 6 p.m. between Point Firmin and the yards of the Los Angeles Shipbuilding and Dry Dock Company.

2. Requiring the removal of main line tracks from Harbor boulevard (Front street).

3. Requiring the removal of the concrete retaining wall from the east line of Front street between Fifth and Sixth streets.

4. Requiring immediate commencement of work on the proposed depot and yard layout.

The complainant incidentally asks that the Commission obtain for it copies of pertinent statistics of traffic and revenue covering the San Pedro operations of defendant.

Hearings were held in San Pedro on October 31 and November 22, 1919, and the engineering department of the Commission, in conjunction with the engineering department of the Los Angeles board of public utilities, thereafter made a report on the San Pedro situation. The case is now ready for a decision.

Some of the relief sought in this matter lies within the jurisdiction, not of this Commission, but of the city government of Los Angeles through its board of public utilities. Since the engineers' report is practically a joint report, and the engineers' recommendations are available to the Los Angeles board of public utilities, the city authorities are in a position to take such action as may seem to them desirable on all matters falling outside the Commission's jurisdiction.

We will state the conclusions we have reached with regard to the four items on which an order is sought from this Commission.

**1. Twenty-minute through service between Point Firmin and the shipbuilding yards.**

The service and operation on the Point Firmin and La Rambla lines, as a matter of fact, comprises the principal points of the entire complaint. It is not feasible, as an engineering proposition, to run the Point Firmin line across Harbor boulevard to the prolongation of Sixth street. The difference in grade between the Harbor boulevard official grade on the center line of Sixth street to the top of rail of the Pacific Electric Railway Company's yards is too great to permit of such a solution, and the presence of team tracks and house tracks makes an incline out of the question.

With reference to the service on the Point Firmin and La Rambla lines, it appears that the present headway on both lines is satisfactory. Traffic statistics show that during peak hours the combined load on the Point Firmin and La Rambla cars is too great for the capacity of a single car such as can be taken around the short curves at Sixth and Pacific and elsewhere. This makes it unwise to carry both loads on a single car for the length of Sixth street. Also the transfer itself is an inconvenience. A better arrangement eliminating the transfer can be had with a very small additional mileage. Under one-man car operation the cost of this additional mileage will be very small.

The best ultimate solution would be a double track to Point Firmin laid in a center strip which is paved only at crossings and downtown, and with one-man cars operating on a  $7\frac{1}{2}$  or a ten minute headway. Such a proposition would probably be as attractive to the street car company as to the public if all bus lines could be removed from the territory where they would compete with such a service. Such a general program would mean a great deal to San Pedro but would require either the widening of Sixth street or a nonparking ordinance for Sixth street.

In a choice between auto busses and street cars on service such as is given over these lines in San Pedro, we believe that in the present state of development it is to the public interest to use light and speedy one-man cars for local service of this nature rather than auto busses. This is true particularly in this instance where with public ownership of the track structure such service could be given without loss by the railway company. We believe, therefore, that the present 20-minute service on the Point Firmin line and 30-minute service on the La Rambla line should be continued and that the idea of establishing a transfer point for the La Rambla line at Sixth and Pacific should be abandoned, but that a one-man car should be placed in operation on the La Rambla run as soon as such a car is available.

In case the city of Los Angeles lays the necessary tracks on Harbor boulevard the question of through service from Point Firmin to Ship

street during rush hours can be reopened, and if by that time auto bus service has been discontinued, Pacific Electric service can be considered for the whole day.

Pending the completion by the city of Los Angeles of such track construction, the Pacific Electric Railway Company should consider the advisability of an extension of the Gardena-San Pedro line and the Municipal Belt Line Railway to Ship street on its Outer Harbor run northward, during the hours of 6 to 7 a.m. and from 3.30 to 5.30 p.m., or such other hours as appear desirable, in view of existing or proposed auto bus service.

## **2. Removal of main line tracks from Harbor boulevard.**

From what has been said under the previous heading, it appears that the idea of running the tracks on Sixth street east across Harbor boulevard to the connection with the main line tracks should be abandoned. The Point Firmin and La Rambla cars should be parked, as soon as feasible, at their inbound terminus on the east side of Harbor boulevard east of Fifth street near the junction with the new tracks of the main line. It will be desirable, as a part of the widening of Front street on Harbor boulevard, to move the local tracks in the center of the boulevard between Sixth and Fifth streets. Such a shifting of tracks, when that boulevard is graded, will much improve the bad curves at Sixth and Front streets, and the parking of the local street cars considerably north of Fifth street instead of between Fifth and Sixth streets will eliminate, we believe, all reasonable objection to the method of operating the local cars.

In the matter of automobile parking, for which the city authorities alone are responsible, the engineers of the board of public utilities and our own engineers point out that track conditions in San Pedro could be much improved if all parking during the busy hours were eliminated—

- (a) on Front street between Fifth and Sixth streets;
- (b) on Fifth street between Front and Beacon streets;
- (c) on Sixth street between Front and Palos Verdes.

The city council has already worked out an excellent system of routing all auto busses through the downtown portion of San Pedro without using and obstructing Front street. An extension of this system to include auto parking will, we believe, be of advantage to the city of San Pedro.

## **3. Removal of concrete retaining wall from east line of Front street between Fifth and Sixth streets.**

It developed at the hearing and also during the investigation of the engineers that responsibility for this wall rests with the city and not with the railway company.

**4. Proposed depot and yard construction.**

It appears that the execution of the present plan for main line and track changes and for the construction of the new depot has been delayed by reason of shortage of men and high prices. The construction estimates as revised contemplate an expenditure more than \$10,000 greater for the depot alone than was originally authorized. The Commission is assured by the company that this construction will not be delayed but will be gone ahead with as rapidly as possible.

We recommend the following form or order:

**ORDER.**

The San Pedro Chamber of Commerce having filed complaint with the Commission for an order requiring defendant to offer additional service, make track changes, and build a suitable depot, all in or near San Pedro in the city of Los Angeles; public hearings having been held, and the Commission having found that complainant is entitled to certain relief and that the interests of the public will be served by certain changes in the general traffic situation, all as outlined and discussed in the foregoing opinion;

*It is hereby ordered*, that the defendant exercise due diligence in executing present plans for depot construction and main line track changes at San Pedro in the vicinity of Front street between Fifth and Sixth streets, and file monthly progress reports with the Commission.

*It is further ordered*, that upon the completion by the city of Los Angeles of an adequate track structure along Harbor boulevard, and the execution of a satisfactory lease to operate, the defendant shall file with this Commission its proposed schedule for through operation of its Point Firmin cars to Ship street.

*It is further ordered*, that pending the completion by the city of Los Angeles of an adequate track structure along Harbor boulevard, defendant give earnest consideration to an extension northward on the route of the Gardena-San Pedro line and the Municipal Belt Line Railway to Ship street of its Outer Harbor run during the hours 6.00 to 7.00 a.m. and 3.30 to 5.30 p.m. only, or during such other hours as may by that time have been defined in effect as rush hours by the action of the city council of Los Angeles in granting permit to operate peak load auto bus service between San Pedro and the shipyard.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this fifteenth day of March, 1920.

## DECISION No. 7276.

IN THE MATTER OF THE APPLICATION OF WESTERN STATES GAS AND ELECTRIC COMPANY, A CORPORATION, FOR AN ORDER AUTHORIZING THE ISSUE OF PREFERRED STOCK OF THE PAR VALUE OF SIX HUNDRED THREE THOUSAND DOLLARS.

Application No. 5328.

Decided March 17, 1920.

APPLICATION No. 5328—SINKING FUND PAYMENTS—STOCK ISSUES FOR.—The Railroad Commission authorizes applicant herein to issue \$404,600 par value of its preferred stock, and use the proceeds thereof to discharge current indebtedness or reimburse treasury covering amounts used to meet sinking fund payments on the ground that the sinking fund payments required by applicant's deed of trust are extremely heavy and revenues do not provide sufficient funds to meet the same without discontinuance of dividend payments or the calling of outstanding bonds. Above authorization made with the understanding that it in no way commits the Commission to a similar proceeding in any future application.

Applicant authorized to issue \$603,000 par value of 7 per cent preferred stock to be sold at par less 10 per cent sales expenses; \$198,400 par value thereof to be used for extensions and betterments, the balance to reimburse applicant covering payments made for sinking fund purposes.

*Chickering and Gregory*, by *Allen Chickering*, for Applicant.

*LOVELAND*, Commissioner.

## OPINION.

Western States Gas and Electric Company asks permission to issue \$603,000 of its 7 per cent preferred stock to refund sinking fund payments and pay construction expenses during 1920. Applicant intends to sell the stock at not less than par, but asks that it be permitted to expend in the sale thereof not exceeding 10 per cent of the par value of stock sold.

In Exhibit "6" attached to the petition, applicant reports its estimated expenditures to pay for additions and betterments to its plant during 1920 at \$532,180. This amount it segregates as follows:

Department	Stockton Division	Richmond Division	Eureka Division	Total
Gas .....	\$182,500 00	-----	\$10,350 00	\$192,850 00
Electric .....	243,000 00	51,980 00	38,850 00	336,830 00
Water .....	2,500 00	-----	-----	2,500 00
Totals.....	\$428,000 00	\$54,980 00	\$49,200 00	\$532,180 00

Samuel Kahn, vice president and general manager of Western States Gas and Electric Company, testified that the above estimate of expenditures includes no extraordinary expenditures except the installation of a new gas machine at Stockton, and that in his opinion the company's actual expenditures will likely exceed the estimate.

Applicant reports stock and funded debt actually outstanding as of December 31, 1919, as follows:

Common stock .....	\$3,231,500 00
Preferred stock—7 per cent cumulative .....	2,222,200 00
American River Electric first mortgage 5 per cent bonds .....	275,000 00
Western States Gas and Electric first and refunding 5 per cent bonds .....	4,464,500 00
Western States Gas and Electric 10-year 6 per cent notes .....	1,564,000 00
Western States Gas and Electric 5-year 6½ per cent collateral notes .....	690,000 00
Total .....	<b>\$12,447,200 00</b>

For the three years ending December 31, 1919, Western States Gas and Electric Company reports operating revenues, operating expenses and other disbursements as follows:

Item	1919	1918	1917
Operating revenues .....	\$1,901,303 17	\$1,628,995 86	\$1,402,869 74
Operating expenses, including taxes but not depreciation .....	1,105,292 74	970,493 52	761,067 32
Net operating revenues .....	\$796,010 43	\$658,502 34	\$641,802 42
Deductions from net operating revenues:			
Interest on funded debt .....	\$373,126 25	\$344,225 58	\$306,698 45
Other interest .....	5,734 07	13,262 68	18,656 25
Amortization of debt discount and expense .....	40,485 84	28,010 01	17,424 20
Depreciation accrued .....	80,000 00	70,000 00	60,000 00
Uncollectible bills .....	10,262 42	8,886 64	7,871 18
Total deductions .....	\$509,608 58	\$464,384 86	\$410,644 08
Balance available for dividends, etc. ....	\$286,401 85	\$194,117 48	\$231,158 34
Add—Accumulated surplus beginning of year .....	61,960 64	98,497 04	139,605 40
Add—Miscellaneous items .....	1,289 43		2,712 08
Balance, plus additions .....	\$349,651 92	\$292,614 52	\$373,475 82
Deduct:			
Dividends on preferred stock, 7 per cent .....	\$152,665 66	\$150,424 02	\$148,750 00
Dividends on common stock, 2½ per cent .....	72,708 72	78,767 78	77,556 00
Other deductions .....		1,462 08	48,672 78
Total deductions .....	\$225,374 38	\$230,653 88	\$274,978 78
Accumulated surplus end of year .....	\$124,277 54	\$61,960 64	\$98,497 04

Applicant reports that from November 30, 1916 to December 31, 1919, it has paid to the trustees under its various mortgages for sinking fund purposes the sum of \$499,436.25, and that the money so paid to the trustees has been used by them to retire \$566,500 of bonds. Applicant asks permission to issue preferred stock for the purpose of refunding its sinking fund payments and lays particular emphasis upon the fact that the sinking fund payments under the mortgage executed by Western States Gas and Electric Company is

extremely onerous and that it requires the company to pay to the trustees on the first day of June and the first day of December of each year an amount equivalent to  $1\frac{3}{4}$  per cent on the amount of bonds previously certified and issued. The payments are to be made and based upon the total number of bonds previously certified and issued, including any bonds which may have been purchased or called for the sinking fund in accordance with the terms of the mortgage. Reports filed with the Commission show that the company has redeemed \$665,500 of Western States Gas and Electric bonds through sinking fund payments and that \$959,000 of Western States Gas and Electric Company bonds are pledged to secure the payment of \$690,000 of 5-year  $6\frac{1}{2}$  per cent collateral trust notes. In calculating the sinking fund payments, both the \$665,500 of bonds retired and the \$959,000 of bonds pledged as collateral are taken into account and added to the bonds actually outstanding and in the hands of the public. On December 1, 1919, the sinking fund payments under the Western States Gas and Electric mortgage amounted to \$107,476.25. Assuming no additional bonds were certified by the trustees, a like payment is due on June 1, 1920, making a total annual payment of approximately \$215,000. Applicant reports that during 1919, it paid for sinking fund purposes \$28,475 to the trustees under the mortgage of the American River Electric Company, which amount if added to the \$215,000 makes an approximate total annual sinking fund payment of \$243,500. By referring to the foregoing statement of revenues and expenses, it will be noted that applicant, after paying operating expenses, taxes, interest and providing for depreciation and uncollectible bills, reported for 1917, a balance of \$231,158.34, for 1918 \$194,117.48. and for 1919, \$286,401.85. It is quite evident from applicant's financial statements that unless the Commission permits applicant to refund its sinking fund payments to some extent through the issue of preferred stock, it will have to either stop the payment of all dividends or call for payment the Western States Gas and Electric Company bonds. The latter under existing financial conditions is, I believe, impractical while the former might make it impossible for applicant to secure any moneys through the sale of additional preferred stock, and I am, therefore, of the opinion that the Commission should permit applicant to issue preferred stock to partially reimburse its treasury because of the surplus earnings which may have been used to meet sinking fund payments or to pay current indebtedness incurred for the purpose of making such payments. I believe, however, that on account of the difference between the value of applicant's properties and its outstanding stock and funded debt, the amount of stock which applicant should be permitted to issue for



the purpose of refunding sinking fund payments should not exceed \$404,600, an amount on which the annual dividend payment will be approximately equal to the annual interest charges on the \$566,500 of bonds retired through the sinking fund payments. It should, however, be remembered that the permission herein granted to issue stock to refund sinking fund payments in no way commits the Commission to a policy of granting, in the future, permission of a similar nature either to applicant or any other public utility.

I herewith submit the following form of order :

#### ORDER.

Western States Gas and Electric Company having applied to the Railroad Commission for permission to issue \$603,000 of its preferred stock, a public hearing having been held, and the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose or purposes specified in this order, and that the expenditures for additions and betterments are not in whole or in part reasonably chargeable to operating expenses or to income ;

*It is hereby ordered*, that Western States Gas and Electric Company be, and it is hereby, authorized to issue \$603,000 par value of its 7 per cent cumulative preferred stock.

The authority herein granted is subject to the following conditions:

1. The stock herein authorized to be issued shall be sold by applicant for cash at not less than par, provided that applicant may expend in the sale of such stock an amount not exceeding 10 per cent of the par value of the stock actually sold.

2. None of the stock shall be issued until applicant has received full payment therefor.

3. Stock in the amount of \$404,600, or the proceeds obtained from the sale thereof, shall be used by applicant to pay current indebtedness incurred to meet sinking fund payments or reimburse its treasury because of surplus earnings used to meet sinking fund payments.

4. The proceeds obtained from the sale of \$198,400 of stock shall be used by applicant to pay for the construction of the extensions, additions and betterments referred to in Exhibit "6" attached to the petition herein.

5. Western States Gas and Electric Company shall keep such record of the issue and sale of the stock herein authorized and of the disposition of the proceeds as will enable it to file on or before the twenty-fifth day of each month a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

6. The authority herein granted will apply only to such stock as may be issued on or before December 31, 1920.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this seventeenth day of March, 1920.

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DECISION No. 7277.

IN THE MATTER OF THE APPLICATION OF SAN BENITO COUNTY LAND AND WATER COMPANY, A CORPORATION, FOR PERMISSION TO RENEW TWO CERTAIN PROMISSORY NOTES AND TO EXECUTE A MORTGAGE TO SECURE ONE OF SAID NOTES.

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Application No. 5421.

Decided March 17, 1920.

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*P. F. Brown*, for Applicant.

MARTIN, *Commissioner*.

**OPINION.**

San Benito County Land and Water Company asks permission to issue to the Bank of Italy two notes, one for \$25,000, the other for \$50,000, and to execute a mortgage to secure the payment of the \$50,000 note. The \$25,000 note, according to the testimony of P. F. Brown, manager and president of San Benito County Land and Water Company, will be endorsed by the stockholders of the company but will not constitute a lien on the company's properties. Applicant asks permission to issue the \$25,000 note for a term of three months and renew the same from time to time during a period of three years. The \$50,000 note it intends to issue for a term of one year.

The notes applied for in this application will be issued by applicant for the purpose of paying or refunding the notes which it issued pursuant to the authority granted in Decision No. 2779, dated September 23, 1915 (Vol. 8. Opinions and Orders of the Railroad Commission of California, page 146).

Applicant reports \$200,000 of stock outstanding, \$50,000 of which is owned by W. K. Brown, \$50,000 by P. F. Brown, \$66,600 by George E. Sykes, \$33,300 by H. J. Macomber, and \$100 by A. K. Macomber. Its indebtedness consists of \$75,000, represented by the notes to which reference has been made, and \$1,022.89 of accounts payable.

A copy of the proposed mortgage, which applicant asks permission to execute, is attached to the petition and marked Exhibit "C." This

mortgage is substantially in the same form as that which the Commission authorized applicant to execute in the decision mentioned above.

I herewith submit the following form of order:

**ORDER.**

San Benito County Land and Water Company having applied to the Railroad Commission for permission to execute a mortgage and issue \$75,000 of notes, a public hearing having been held, and the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required by applicant, and that the expenditures are not in whole or in part reasonably chargeable to operating expenses or to income;

*It is hereby ordered*, that San Benito County Land and Water Company be, and it is hereby, authorized to execute a mortgage substantially in the same form as the mortgage attached to the petition herein and marked Exhibit "C"; provided, that the approval herein given of said mortgage is for the purpose of this proceeding only and an approval in so far as this Commission has jurisdiction under the terms of the Public Utilities Act, and is not intended as an approval of said mortgage as to such other legal requirements to which said mortgage may be subject.

*It is hereby further ordered*, that San Benito County Land and Water Company be, and it is hereby, authorized to issue to the Bank of Italy its one-year 6 per cent note for the principal sum of \$50,000, for the purpose of paying or refunding the \$50,000 note to which reference is made in this application.

*It is hereby further ordered*, that San Benito County Land and Water Company be, and it is hereby, authorized to issue to the Bank of Italy its three-months 6 per cent note for the principal sum of \$25,000 for the purpose of paying or refunding the \$25,000 note, to which reference is made in this application.

*It is hereby further ordered*, that San Benito County Land and Water Company may, without further order from the Railroad Commission, issue renewal or renewals or extensions of the notes herein authorized to be issued, provided that the rate of interest and all other terms shall not be made more burdensome, and that the combined term or terms of the note or notes herein authorized to be issued, with the renewals or extensions thereof, shall not exceed a total period of three years from the date of the first issue under this authorization.

The authority herein granted is subject to the condition that San Benito County Land and Water Company will file with the Railroad Commission within thirty days after the issue of any note herein

authorized a report as required by the Railroad Commission's General Order No. 24.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this seventeenth day of March, 1920.

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DECISION No. 7278.

IN THE MATTER OF THE APPLICATION OF HAINES CANYON WATER COMPANY FOR AUTHORITY TO CREATE A BONDED INDEBTEDNESS.

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Application No. 5219.

Decided March 17, 1920.

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*R. T. Quinn*, for Applicant.

*BRUNDIGE*, Commissioner.

**OPINION.**

In this application, as amended, Haines Canyon Water Company asks permission to execute a trust deed to secure the payment of \$30,000 of 10 year 7 per cent bonds and issue said bonds.

Applicant reports that pursuant to authority granted in Decision No. 5887, dated November 1, 1918, in Application No. 4038, it acquired from Western Empire Suburban Farms Association, a corporation, the properties described in that decision. In the decision to which reference has been made, it appears that the engineering department of the Commission found the cost of the operative properties as of 1916 to be \$44,255, and the cost of the nonoperative water properties \$68,562, making a total of \$112,817 for the entire properties. Applicant, in its Exhibit No. 2, reports 324 services installed.

The testimony of H. B. Lynch, consulting engineer, shows that applicant has an ample water supply, but that its pumping, storage and transmission facilities are inadequate. In applicant's Exhibit No. 1 he reports that the company has two available sources of water—gravity water from Haines Canyon and Blanchard Canyon, and underground water, which is the principal source of supply during the summer; that the present development consists of a gravity intake in Haines Canyon, together with one in Blanchard Canyon, which delivers water into an unlined earthen reservoir of about 750,000 gallons capacity, located near the mouth of Haines Canyon at an elevation of 2070 feet; and that at an elevation of 1800 feet on Los Angeles street is located a small concrete reservoir holding

about 40,000 gallons, which is connected with the pumping plant at the present well, with about 6600 feet 10 inch riveted steel pipe.

H. B. Lynch believes that by dividing applicant's water system into three lifts instead of two, many of the difficulties which are now encountered in operating this water system will be avoided. He recommends that reservoirs be installed on Summit avenue, one at about the 1700 foot level and one at about the 1940 foot level, both of which are to be operated, together with the company's present reservoir at the 2070 foot level. He also recommends certain other improvements, the total cost of which improvements, including the reservoirs, he estimates at \$16,226.50. This amount is made up of the following items:

Cleaning well .....	\$200 00
Cleaning 2070-foot reservoir .....	200 00
Reservoir site at 1700-foot level .....	500 00
Reservoir site at 1940-foot level .....	500 00
Reservoir at 1700-foot level .....	2,500 00
Reservoir at 1940-foot level .....	2,500 00
Recutting lines .....	100 00
Terminating 10-inch line at 1700-foot level .....	70 00
Taking up 10-inch line .....	170 00
Redipping and relaying 10-inch line on Summit avenue .....	600 00
Purchasing 1350 feet 10-inch 12-gauge pipe .....	1,688 00
Fillings, transportation and laying 10-inch pipe .....	532 00
Cut in present lines to 10-inch line .....	100 00
Build pump building .....	1,000 00
Moving and installing plunger pump .....	500 00
New motor .....	908 00
New pump .....	1,400 00
Installing motor and pump .....	342 00
<b>Total .....</b>	<b>\$14,110 00</b>
Engineering, superintendence and incidentals, 15 per cent. ....	2,116 50
<b>Total .....</b>	<b>\$16,226 50</b>

Applicant reports that on April 16, 1919, it issued to First National Bank of Los Angeles its note for \$2,500 and that on November 6, 1919, it issued to David Black its note for \$3,900. The moneys obtained through the issue of these notes was used, according to the testimony, to pay \$1,725 of outstanding notes and pay for necessary improvements. Applicant asks that it be permitted to use part of the proceeds obtained from the sale of bonds to pay the two notes referred to above and pay for the improvements recommended by H. B. Lynch. The total of the notes outstanding and the cost of the improvements amounts to \$22,626.50.

In this application, as originally filed, applicant asked authority to execute a mortgage securing payment of \$50,000 of bonds. In a communication of March 10 applicant advised the Commission that a bond issue of \$30,000 would be sufficient. If the bonds are sold at 90, applicant will realize from the sale thereof \$27,000, or \$4,373.50

more than the estimated cost of the improvements and outstanding notes. While the order herein will permit applicant to sell the \$30,000 of bonds, it contains a provision that only \$22,626.50 of the proceeds may be expended at this time and that such expenditures can only be made for the purpose of paying notes and for constructing the improvements referred to in applicant's Exhibit No. 1.

Applicant on March 12 filed with the Railroad Commission a revised copy of its proposed trust deed which it intends to execute to Title Insurance and Trust Company to secure the payment of the \$30,000 ten year 7 per cent bonds.

I herewith submit the following form of order:

**ORDER.**

Haines Canyon Water Company having applied to the Railroad Commission for permission to execute a trust deed, and issue \$30,000 of bonds, a public hearing having been held, and the Railroad Commission being of the opinion that the money, property and labor to be procured or paid for by such issue to the extent indicated in the foregoing opinion is reasonably required by applicant, and that the expenditures are not in whole or in part reasonably chargeable to operating expenses or to income;

*It is hereby ordered*, that Haines Canyon Water Company be, and it is hereby, authorized to execute a trust deed substantially in the same form as the trust deed filed with this Commission on March 12, 1920.

*It is hereby further ordered*, that Haines Canyon Water Company be, and it is hereby, authorized to issue not exceeding \$30,000 face value of 10 year 7 per cent bonds, payment of such bonds to be secured by the trust deed which applicant is herein authorized to execute.

The authority herein granted is upon the following conditions and not otherwise:

1. The bonds herein authorized to be issued shall be sold by applicant for cash at not less than 90 per cent of their face value.

2. All proceeds obtained from the sale of the bonds shall be deposited with some bank or trust company in a special fund. Of the proceeds, not exceeding \$16,226.50 may be used by applicant to pay for the improvements set forth in applicant's Exhibit No. 1 and referred to in the foregoing opinion; not exceeding \$6,400 to pay the notes referred to in the petition; and the remainder withdrawn and expended only for such purposes as the Railroad Commission may authorize in a supplemental order or orders herein.

3. The approval herein given of said trust deed is for the purpose of this proceeding only and an approval in so far as this Commission

has jurisdiction under the terms of the Public Utilities Act, and is not intended as an approval of said trust deed as to such other legal requirements to which said trust deed may be subject.

4. Haines Canyon Water Company shall keep such record of the issue and sale of the bonds herein authorized and of the disposition of the proceeds as will enable it to file, on or before the twenty-fifth day of each month, a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

5. The authority herein granted will not become effective until applicant has paid the fee prescribed in the Public Utilities Act.

6. The authority herein granted will apply only to such bonds as may be issued and sold on or before August 31, 1920.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this seventeenth day of March, 1920.

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DECISION No. 7279.

IN THE MATTER OF THE APPLICATION OF VENICE HILL LAND COMPANY FOR PERMISSION TO SELL TO W. B. MARCH CERTAIN PROPERTIES IN TULARE COUNTY, INCLUDING A SMALL WATER PLANT. COPY OF PROPOSED SALE CONTRACT HERETO ATTACHED.

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Application No. 5266.

Decided March 18, 1920.

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BY THE COMMISSION.

**ORDER.**

Venice Hill Land Company having applied to the Railroad Commission for authority to sell for \$4,700 to W. B. March the public utility water plant and certain other properties described in this application, and W. B. March having joined in the application, a hearing having been held before Examiner Geary, and it appearing that Venice Hill Land Company is engaged in subdividing and selling a tract of 1100 acres of land located approximately 8 miles northeast of Visalia, Tulare County; that it has constructed a water plant which supplies water for irrigating and domestic use to about twenty families and about six commercial enterprises; that W. B. March, a resident of the town of Venice Hill, has been in actual charge of the water plant for the past six months and has agreed to pay \$4,700 for the properties described in this application, \$100 of the purchase price to be paid in cash, \$300 or more on October 14, 1920, \$350 or

more on October 14, 1921, and \$1,000 on the fourteenth day of each October thereafter until the sum of \$4,700 is paid; that the agreement of sale constitutes an evidence of indebtedness; that the property to be acquired by W. B. March through the execution of the agreement of sale is reasonably required by him, and that the cost of the properties is not in whole or in part reasonably chargeable to operating expenses or to income;

*It is hereby ordered*, that Venice Hill Land Company be, and it is hereby, authorized to sell, and W. B. March to purchase, the properties described in this application, pursuant to the terms of the agreement attached to the petition herein; provided, that—

1. The authority herein granted will not become effective until W. B. March has paid the fee prescribed in section 57 of the Public Utilities Act.

2. The price paid for the properties will not be urged before this Commission, or any other public body, as a finding of value of said properties for rate-fixing or any purpose other than the transfer herein authorized.

3. W. B. March advise the Commission of the date on which he took possession of the properties under the authority herein granted, within ten days after having taken such possession.

Dated at San Francisco, California, this eighteenth day of March, 1920.

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DECISION No. 7304.

IN THE MATTER OF THE APPLICATION OF MOUNT WHITNEY POWER AND ELECTRIC COMPANY, A CORPORATION, FOR AN ORDER ESTABLISHING JUST AND REASONABLE RATES FOR THE SALE OF ELECTRICITY.

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Application No. 5172.

Decided March 23, 1920.

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APPLICATION No. 5172—ENERGY—WHOLESALE DELIVERIES—GENERATING COSTS.—

In fixing a rate for electric energy delivered wholesale by one utility to another it is held that such rate can not be based on the lowest generating costs of the producing utility, but must represent an average of both steam and hydro-electric generating costs. There is no such thing as a prior right to a particular class of production which would entitle one consumer to service based on the lowest cost of producing energy.

**COST OF MONEY—RATE OF RETURN.**—When the cost of money to a public utility is in excess of 6 per cent, and its average rate of return for a period of three years approximates 5 per cent, its return being less than the cost of money it has had to borrow to meet demands for service, will, if continued, result in curtailed and unsatisfactory service or necessitate the establishment of an unfair rate to Edison Company consumers, which latter company finances applicant herein.



**FLAT RATES—POWER SHORTAGES—EFFECT OF.**—Flat rates for pumping purposes are considered disadvantageous, particularly during shortage of hydroelectric energy, resulting in increased steam production and augmented operative costs.

Revised schedules of rates established to provide a net return of approximately 7.2 per cent, such rates being an increase of approximately 20 per cent over rates of 1917.

*Roy V. Reppy, E. C. Farnsworth and Fred E. Pettit, Jr., for Applicant.*

*Power and McFadzean, by Maurice E. Power, for Visalia Electric Railroad Company.*

*James F. Farragher, S. I. Merrill, Andrew Hancock and J. B. Ely, for Kern County Farm Bureau.*

*Irvin H. Althouse, for Terra Bella Irrigation District.*

*E. I. Eemster and C. H. Holley, for San Joaquin Valley Public Utility Association.*

*B. W. Holland, for City of Tulare.*

*F. M. Eldridge, for Board of Trustees, City of Tulare.*

MARTIN, *Commissioner.*

#### OPINION.

Mount Whitney Power and Electric Company, hereafter designated as applicant, asks authority to charge such increased rates for the sale of electricity as will be just and reasonable and afford applicant a fair return upon its operative property. Applicant urges that the cost of material and labor has constantly increased during the past year and applicant's costs of operation have accordingly increased; that higher schedules of wages and material costs will prevail in the future; that the present rates, including the 15 per cent surcharge, have not returned to applicant a reasonable return upon its operative property.

Hearing in this matter was held in Visalia on January 6, 1920, at which time evidence was introduced by applicant relative to its operations in the past and estimates for the future.

At this hearing it was stipulated that the existing surcharge of 15 per cent which automatically ceased to be effective on January 15 in accordance with Decision No. 6475 in Application No. 3891, be continued by order of the Commission until such time as the Commission rendered its decision in the present application. In accordance with the stipulation, the Commission, under date of January 12, 1920, issued its Decision No. 7028 extending the effective date of the Commission's Decision No. 6475, *supra*, pending further order of this Commission.

At the hearing held in Visalia on January 6 it was agreed that the adjourned hearing would also be held at Visalia in order that those desiring to present evidence could do so conveniently. However, due to the epidemic of influenza existing in the San Joaquin Valley at the time of the adjourned hearing on February 5, it was not possible for the Commission to hold the hearing in Visalia, and, as it did not appear advisable to further postpone this proceeding, the adjourned hearing was held in San Francisco on February 5, 1920. In order that all

parties unable to appear in San Francisco might not be deprived of their rights, it was stipulated and agreed by both the representatives of the utility and the consumers that ten days be allowed, following the final hearing, for filing of evidence and protests in documentary form with the Commission, and that this information be considered by the Commission as introduced in the proceeding. It was further stipulated that all evidence in former proceedings affecting Mount Whitney Power and Electric Company, and general data on file with the Commission, should be considered in evidence in so far as relevant.

Protests and statements in the form of briefs or documentary evidence submitted during the subsequent period referred to above are as follows:

*Protest*, San Joaquin Valley Public Utility Association. Submitted by E. I. Feemster, attorney: together with three exhibits submitted by C. H. Holley, engineer.

*Transcript*, setting forth series of questions and answers between J. F. Farragher and fourteen consumers of San Joaquin Light and Power Corporation and Mount Whitney Power and Electric Company.

The existing rates of Mount Whitney Power and Electric Company were originally fixed by this Commission in Decision No. 3242, Application No. 1673, dated April 6, 1916 (Opinions and Orders of the Railroad Commission of the State of California, Vol. 9, page 628). These rates were based upon cost of operation during pre-war conditions of prices of material and labor and fuel oil. The Commission, under date of August 29, 1918, Decision No. 5729 (Opinions and Orders of the Railroad Commission of the State of California, Vol. 15, page 1113), authorized applicant to increase the basic rates by a 10 per cent surcharge. Further increased costs of operation occurred and on July 2, 1919, in Decision No. 6475, *supra*, this Commission authorized applicant to increase its basic rates by a surcharge of 15 per cent in place of the existing surcharge of 10 per cent. The surcharge of 15 per cent authorized therein was made effective until January 15, 1920, for metered service and until January 31, 1920, for flat rate service. As above stated, the surcharge has been continued, by Commission order, pending further action by the Commission.

Mount Whitney Power and Electric Company serves electricity for lighting and power in Kings, Tulare and Kern counties. Practically 80 per cent of the business of Mount Whitney Company is agricultural pumping, the majority of which is in Tulare County. The business of Mount Whitney Power and Electric Company has increased rapidly. Applicant has not, however, developed additional

power plants to meet the requirements, depending upon Southern California Edison Company for increased supply of power to meet demands, that company controlling operations of applicant, arranging for financing of necessary additions to its system and supplying power required in excess of applicant's existing plant output.

For the year 1919 applicant reports a rate base of \$5,977,121 and a gross revenue of \$1,360,582, operating expenses, including depreciation, of \$1,029,132.55, and a net return of \$331,450.09, or 5.55 per cent upon the investment.

Applicant's operating expenses increased for the year approximately \$25,000 over that estimated in the Commission's Decision No. 6475. The earnings, however, of applicant were less than estimated exclusive of the increase of 5 per cent in the surcharge.

The operating conditions of applicant for the year 1920 will be in general similar to those in 1919 with the exception that it will be necessary for applicant to purchase a greater amount of power from Southern California Edison Company than during the previous year, and, in addition, it has experienced a further increase in its cost of labor and supplies.

Applicant's investment in property, exclusive of working cash capital and material and supplies, on December 31, 1919, based upon the previous findings of the Commission, was \$5,979,141.21. Applicant estimates an increase in capital of \$743,000 for the first six months of 1920. This is an increase materially in excess of that normally experienced in the past, and, in view of the shortage of power supply of Southern California at the present time, it would appear that this total expenditure will not, in all probability, be experienced. The rate base for 1920 will be the following sum:

Capital, exclusive of material and supplies and working cash capital .....	\$6,500,000 00
Material and supplies.....	250,000 00
Working cash capital.....	100,000 00
Total.....	<u>\$6,850,000 00</u>

Table No. 1 sets forth the actual operations of applicant for the years 1916, 1917, 1918, 1919, together with applicant's estimate of operations for 1920. Applicant's estimate of increase in sales as set forth in its Exhibit No. 9 appears to be reasonable—in fact it is possible that applicant will not increase its sales for irrigation power to the extent estimated owing to the shortage of power existing, which will require the deferring of the taking on of additional consumers. I will accept the estimate of applicant as to sales of electric energy.

TABLE No. 1.

Operations of Mount Whitney Power and Electric Company, 1916 to 1919, and  
Estimate for 1920.

	1916	1917	1918	1919	Est. 1920 (present rates)
Rate base .....	\$4,464,351 00	\$4,918,130 00	\$5,215,770 00	\$5,977,120 86	\$6,860,000 00
Total revenue .....	773,929 76	811,574 71	1,043 453 30	1,360,582 64	1,588,000 00
<i>Operating Expenses.</i>					
Production:					
Fuel oil .....	\$28,809 54	\$41,365 24	\$35 223 50	\$127,173 54	\$40,000 00
Purchased power .....	13,333 32	123,351 56	894,110 75	857,207 11	532,000 00
Other expenses .....	55,625 31	79,560 29	57,987 44	75,033 18	108,000 00
Totals .....	\$97,828 17	\$244,277 09	\$479,321 69	\$559,413 83	\$730,000 00
Transmission .....	15,569 32	8,064 67	7,737 87	8,454 16	7,000 00
Distribution .....	63,226 97	60,047 51	108,508 07	168,251 40	180,000 00
Commercial .....	40,896 75	46,023 99	42,912 97	46,362 64	52 000 00
General and miscellaneous .....	72,544 28	78,274 36	62,570 86	62,760 78	60,000 00
Taxes .....	41,782 14	45,000 00	48,568 23	57,689 74	21,000 00
Uncollectible bills .....	8,966 94	11,168 38	9,258 34	6,000 00	7,000 00
Totals .....	\$340,834 57	\$492,856 00	\$753,878 03	\$900,432 56	\$1,126,000 00
Net for interest and deprecia- tion .....	\$433,095 19	\$318,718 71	\$292,575 27	\$451,150 09	\$402,000 00
Depreciation .....	85,830 00	90,144 00	102,000 00	119,700 00	137,000 00
Net for interest .....	\$347,265 19	\$222,574 71	\$190,575 27	\$331,450 09	\$325,000 00
Per cent return .....	7.77%	4.52%	3.67%	5.56%	4.75%

Applicant's estimate of operating expenses other than purchased power appears reasonable when consideration is given to the increase in cost of labor and supplies.

Referring now to the cost of purchased power, it is estimated that the total purchase of power will be 67,000,000 kilowatt hours from Edison Company and 4,000,000 kilowatt hours from San Joaquin Light and Power Corporation, the latter being used in the distribution system at Hanford. The cost of this power to Mount Whitney Company has been computed at 8.3 mills per kilowatt hour for delivery from Edison system, and slightly in excess of 1 per cent per kilowatt hour for energy delivered from San Joaquin system.

The correctness of the rate for energy from Edison Company has been questioned by San Joaquin Valley Public Utility Association, it being urged by that association that applicant should not be charged for steam power but should be charged for the cost of hydroelectric power produced by Southern California Edison Company's plants in the San Joaquin Valley, claiming that the San Joaquin Valley had first and prior right to such power. Protestants submitted figures estimating the cost of producing hydroelectric power in the San Joaquin Valley plants of Southern California Edison Company, estimating that the cost of this power was materially less than 8.3 mills.

This contention of San Joaquin Valley Public Utility Association is not sound. This theory of fixing of rates would also be disastrous to the communities in general outside of San Joaquin Valley which have been built up and are dependent upon the power of the Edison Company's system regardless of where produced. It is well to note also that the power plants of Edison Company were constructed and the power transmitted from the San Joaquin Valley prior to the time there was any demand for a supply of power from these plants to be delivered to the consumers on the applicant's system.

Considering the history of the Mount Whitney Power and Electric Company and its present status, it is my opinion that, as far as the cost of power is concerned, the Mount Whitney Company's consumers should be considered as receiving service from an integral part of Southern California Edison Company's system. Applicant is owned and controlled by Southern California Edison Company. It is dependent upon that company for its financing and for its policies as regards power development, and, if it is not considered as a part of the Edison system, its consumers will be subject to possible unfair treatment. If Mount Whitney is considered as a part of the Edison system, then it would appear that the cost of power delivered to that system should be determined on the same basis as the cost of power to any other portion of the Edison Company's system.

This Commission has not only to fix the rates of applicant but it has before it at this time the determination of the rates of the entire Southern California Edison Company system, including the rate to Mount Whitney Power and Electric Company, and the charge for power must be based upon equity to all consumers both north and south of the Tehachapi. Consumers of Edison system should not be required to make up deficits on applicant's system, nor should the reverse be true.

From investigation of records of the Edison Company now with the Commission I must conclude that the rate of 8.3 mills per kilowatt hour estimated by applicant is not excessive on the basis of consideration of applicant as a part of the Edison system—in fact it is in all probability low, and, for this proceeding, I will use the rate of 8.3 mills in determining the rates to be charged by Mount Whitney Power and Electric Company. If Mount Whitney Company is not to be considered as a part of Edison Company's system then applicant would be required to bear the whole cost of full operation of its steam plants, which would materially increase the cost of service.

Referring again to Table No. 1, it would appear that with the existing rates upon applicant's system its earnings for 1920 will be approximately 4.7 per cent of the rate base as compared with a

return for 1917 of 4.52 per cent, for 1918 of 3.65 per cent and for 1919 of 5.55 per cent. The effect of the present dry year will not materially increase the operating costs of applicant except as it may involve the price of purchased power as the output of applicant's hydroelectric plants will not be greatly reduced.

The cost of money to applicant is in excess of 6 per cent. It has rendered service during the past three years at an average rate of approximately 5 per cent on its reasonable investment, which is a rate of return less than the cost of the money it has had to borrow to meet the demands of applicants for service. This can not continue indefinitely without detriment to service or a condition of additional increase of rates on Southern California Edison Company's system which will be unfair to consumers on that system.

It is well to emphasize in connection with the matter of increase in rates for electric service that even with the increases herein authorized the percentage of increase in cost of service over pre-war conditions will be materially lower than the general increase in cost of labor and supplies which applicant has had to pay, and less in general than the increase in price of labor and supplies paid by consumers and the increase in price received by applicant's consumers for their products.

Evidence in this proceeding shows that since 1916, when the rates were fixed for applicant, certain of the products of applicant's consumers have increased at least 100 per cent in price while applicant's rates have, so far, been in general less than in effect prior to that date, and, even with the increase herein granted, will not exceed the rates in effect in January, 1916, by more than 20 per cent. Government statistics tend to show that, on an average, prices received for commodities have increased in excess of 50 per cent and at the present time the purchasing power of \$1 is reduced to 50 cents compared with its purchasing power in 1915. It is true that these facts in themselves are not sufficient to justify increase in rates, but consumers of applicant should bear these in mind in connection with the increases granted.

I feel certain that applicant's consumers will gladly meet their responsibility by paying the increased rates when they realize that it is vitally essential that Mount Whitney Company be granted an increase in rates in order to continue to serve their patrons adequately and meet the large and increasing demands for power which are continually being made upon its system.

Considering now the subject of the rates to be charged by Mount Whitney Power and Electric Company, the present rates in effect, especially agricultural, are of the flat rate form, the charge being

based upon the connected load or the maximum demand of the installation. Complaint has, in the past, been received by the Commission regarding this form of rate, and, in view to determining the correct form of rates to be charged in the future, conferences were held between the Commission's electrical division and representatives of applicant's consumers and applicant in view to arriving at the form of schedule which would be most advantageous to the consumers and most readily apportion the cost of service between the various consumers. It was the general agreement that the flat rates should be discontinued as not just, especially under present condition of shortage of hydroelectric power with the resultant increase in steam production of energy. The flat rates are not conducive to economy in use of power and in some instances encourage wasteful use of both power and water, a matter of serious consideration at the present time.

Certain rates were submitted as the conclusions of the engineers as to the best form of rates to be charged and as to relative division of cost between classes of consumers and consumers in the classes. These rates were not proposed as the rates actually to be charged except those proposed by Mr. H. A. Barre of applicant. Mr. Barre's testimony discloses that no analysis was made by him as to the relative costs between different classes of service, and, although the cost is not the only factor to be considered, it seems inadvisable to give serious weight to his suggestions.

The rates submitted by the engineers are, in form, apparently agreed upon as most satisfactory based upon normal conditions of operation. Since the proceeding was submitted, however, a power shortage has developed which will in all probability require curtailment of the use of power, and, with this fact in mind, it would appear advisable to so modify the rates that the bills will be readily adjusted in case of actual curtailment.

All of the power companies in the southern part of the state have agreed to a general pooling of power in order that the entire shortage will not be thrown upon a small portion of the entire system. Under this pooling it is very probable that applicant will be required to reduce the use of power of its consumers.

In view of these facts, and the probable curtailment of power on the San Joaquin system as well as on this system, and the fact that these systems are serving, in general, the same type of territory, it appears reasonable that the rates on Mount Whitney system for this year should be the same as those on the San Joaquin system for the same class of service. These rates will be considered as temporary, being applicable during the emergency created by the water shortage,

and will be reconsidered based upon a normal basis as soon as normal conditions again exist.

The form of rates proposed will make possible ready correction of bills in case curtailment occurs and will also do away with the difficulty existing due to the present flat rates, which in no way encourage conservation and are actually resulting in detriment to the consumers in the valley in some instances owing to the wastage of water.

The rates herein proposed to apply to the power sold by Mount Whitney Power and Electric Company will, it is estimated, result in a net return upon the investment of 7.3 per cent.

#### ORDER.

Mount Whitney Power and Electric Company having filed herein its supplemental application asking authority to increase its rates charged for electric energy, public hearings having been held, this proceeding having been submitted and now ready for decision:

The Railroad Commission hereby finds as a fact that the existing rates for electric energy sold by Mount Whitney Power and Electric Company together with the surcharge now authorized are, under existing conditions, unjust and unreasonable, and that the rates herein established are just and reasonable rates.

Basing its order on the foregoing findings of fact and on the other findings of fact contained in the opinion preceding this order;

*It is hereby ordered*, that all electric rates and surcharges now charged by Mount Whitney Power and Electric Company be and the same are hereby cancelled, effective for all electric service rendered, based on meter readings taken on and after April 1, 1920.

*It is hereby further ordered*, that Mount Whitney Power and Electric Company be, and the same is hereby, authorized to charge and collect for all electric service rendered, based upon meter readings taken on and after April 1, 1920, and upon all flat rate service rendered on and after April 1, 1920, the following rates:

#### SCHEDULE No. 1.

(Cancelling Schedule No. 1, now in effect.)

#### General Domestic and Commercial Lighting.

##### TERRITORY.

Applicable to entire territory served by the company.

##### Rate.

First 20 kilowatt hours per meter per month.....	9 cents per kilowatt hour
Next 80 kilowatt hours per meter per month.....	6 cents per kilowatt hour
Next 200 kilowatt hours per meter per month.....	5 cents per kilowatt hour
All over 300 kilowatt hours per meter per month.....	4 cents per kilowatt hour

##### MINIMUM CHARGE.

\$1 per meter per month.



**SCHEDULE No. 2.**

(Cancelling Schedule No. 2, now in effect.)

**Commercial Lighting Service.****TERRITORY.**

Applicable to all territory served by the company.

**Rate.**

- (a) Readiness to serve charge:  
     First 4 kilowatts of maximum demand per month..... \$10 00  
     All over 4 kilowatts of maximum demand per month per kilowatt... 2 00
- (b) Energy charge:  
     First 1000 kilowatt hours per meter per month.... 2½ cents per kilowatt hour  
     All over 1000 kilowatt hours per meter per month... 2 cents per kilowatt hour

**SPECIAL CONDITIONS.**

(a) The total monthly charge is the sum of the readiness to serve and energy charges.

(b) Under this schedule watt demand indicators and watt-hour meters will, in all cases, be installed and maintained by the company and at the company's expense.

(c) The maximum demand shall be the greatest average kilowatt demand registered during any 15-minute interval during the month.

**SCHEDULE No. 3.**

(Cancelling Schedules Nos. 3, 12, now in effect.)

**Public Outdoor Lighting Service.**

Applicable to all street, highway and other public outdoor lighting service.

**TERRITORY.**

Applicable to entire territory served by the company.

**Rate.**

Type of lamp	Annual demand charge per each lamp	Charge per each 100 lamp hours
<b>Arc lamps:</b>		
(1) 6.6 ampere luminous.....	\$13 70	80
(2) 4.0 ampere luminous.....	39 50	35
<b>Incandescent lamps:</b>		
(3) 400 watt multiple or 600 candle-power series.....	35 40	70
(4) 200 watt multiple or 400 candle-power series.....	32 40	50
(5) 150 watt multiple or 250 candle-power series.....	27 60	35
(6) 80 watt multiple or 100 candle-power series.....	19 40	18
(7) 60 watt multiple or 80 candle-power series.....	16 10	12
(8) 40 watt multiple or 60 candle-power series.....	13 80	10

**SPECIAL CONDITIONS.**

(a) The demand charge to be paid in twelve equal monthly payments throughout the year.

(b) The total charge for any month to be one-twelfth of the annual demand charge plus the lamp-hour charge for that month.

(c) All-night lamps will be considered as burning 4000 hours per year.

(d) Under the above schedule the company bears the installation, maintenance and operating expense and provides all necessary lamp renewals.

(e) Where the company is required to provide ornamental lighting posts or standards an additional charge will be made for the same.

(f) The company furnishes ornamental lighting posts for street lighting in the city of Lindsay.

**SCHEDULE No. 4.****Special Street Lighting Service.****(a) City of Tulare:**

600 candle-power 20-ampere series incandescent lamps on ornamental cement standards owned and maintained by company, fed by underground conduit series 6.6 ampere distribution system, owned and maintained by consumer.

Rate—\$63 per lamp per year.

City of Tulare also receives street lighting service under Schedule No. 3.

**(b) City of Hanford:**

900 candle-power 4-ampere series luminous arcs suspended at street corners, owned and maintained by the company.

Rate—\$5.25 per lamp per month.

600 candle-power 20-ampere series incandescent electrolier posts fed by underground series 6.6 ampere circuit, owned and maintained by the company.

Rate—\$5.25 per lamp per month.

City of Hanford also receives street lighting service under Schedule No. 3.

**(c) City of Lindsay:**

600 candle-power 20-ampere series incandescent lamps, iron post electroliers, owned and maintained by the company, and fed by an underground system owned by and maintained by the consumer.

Rate—\$63 per lamp per year.

City of Lindsay also receives street lighting service under Schedule No. 3.

**SCHEDULE No. 5.**

(Cancelling Schedule No. 11, now in effect.)

**Domestic Heating, Cooking and Combination Lighting, Heating or Cooking Service.**

Applicable to domestic service using heating and (or) cooking equipment of 3 kilowatts or more capacity.

**TERRITORY.**

Applicable to entire territory served by the company.

**Rate.**

First 30 kilowatt hours per meter per month.....9 cents per kilowatt hour

Next 130 kilowatt hours per meter per month.....4 cents per kilowatt hour

All over 160 kilowatt hours per meter per month.....1½ cents per kilowatt hour

**MINIMUM CHARGE.**

75 cents per kilowatt of active heating and cooking load per month, but not less than \$2.50 per month.

**SPECIAL CONDITIONS.**

In determining the heating and cooking capacity lamp socket devices such as flat-irons, toasters, etc., shall not be included.

**SCHEDULE No. 6.**

(Cancelling Schedule No. 11, now in effect.)

**Commercial Heating and Cooking Service.**

Applicable to commercial heating and (or) cooking service, excluding all lighting service and all lamp socket devices.

**TERRITORY.**

Applicable to entire territory served by the company.

**Rate.**

First 150 kilowatt hours per meter per month.....4 cents per kilowatt hour

All over 150 kilowatt hours per meter per month.....1½ cents per kilowatt hour

**MINIMUM CHARGE.**

75 cents per kilowatt of active heating and cooking load per month, but not less than \$2.50 per month.

**SPECIAL CONDITIONS.**

Heating and cooking service to be delivered over a circuit and measured by a meter separate from the lighting circuit and meter.

**SCHEDULE No. 7.**

(Cancelling Schedules Nos. 4, 5, 6, 6-A, 6-B, now in effect.)

**Agricultural Service.**

Applicable to installations of 3 horsepower and over.

**TERRITORY.**

Applicable to entire territory served by the company.

**Rate.****Rate per Kilowatt Hour of Connected Loads.**

Consumption per horsepower, per month	3 h.p. to 6 h.p.	7 h.p. and over
First 125 -----	2.4¢	2¢
All over 125 -----	1.4¢	1.4¢

**MINIMUM CHARGE.**

No minimum charge. (During 1920.)

**SPECIAL CONDITIONS.**

Installations of not less than 3 horsepower used for agricultural purposes:

(a) May receive service under this schedule on the basis of a 3-horsepower installation; or

(b) May be classified as industrial service and receive service under the general industrial power service schedule of rates.

**SCHEDULE No. 8.**

(Cancelling Schedules Nos. 7 and 8, now in effect.)

**General Industrial Power Service.**

Applicable to agricultural installations of less than 3-horsepower capacity and to all general power service.

**TERRITORY.**

Applicable to entire territory served by company.

**Rate.**

(a) Installations of less than 5-horsepower capacity:

First 200 kilowatt hours per meter per month ----- 6 cents per kilowatt hour

Next 200 kilowatt hours per meter per month ----- 3 cents per kilowatt hour

All over 400 kilowatt hours per meter per month ----- 1½ cents per kilowatt hour

(b) Installations of 5 horsepower or over:

**Rate per Kilowatt Hour of Active Loads.**

Consumption per horsepower of active loads	5 h.p. to 9 h.p.	10 h.p. to 24 h.p.	25 h.p. to 49 h.p.	50 h.p. to 99 h.p.	100 h.p. and over
First 50 kilowatt hours -----	4.4¢	3.6¢	3.2¢	5.0¢	2.8¢
Next 50 kilowatt hours -----	2.0¢	2.0¢	1.9¢	1.8¢	1.8¢
All over 100 kilowatt hours -----	1.3¢	1.2¢	1.1¢	1.0¢	1.0¢

**MINIMUM CHARGE.**

\$1 per horsepower of active connected load per month.

**SPECIAL CONDITIONS.**

(a) Upon application of the consumer, or at the option of the company, the block and minimum charges may be based upon the maximum demand for installations exceeding 25 horsepower, in which case the maximum demand shall not be less than 50 per cent of the rated capacity of the connected load and not less than 25 horsepower.

The maximum demand shall be determined to the nearest even 5 horsepower.

(b) In case the consumer requests the installation of a demand meter, the company shall charge a rental charge of \$3.50 per year for the use of such meter.

(c) The maximum demand shall be the greatest average kilowatt demand registered during any 15-minute interval during the month.

**SCHEDULE No. 9.**

(Cancelling Schedule No. 9, now in effect.)

**Substation Service.**

Applicable to installations receiving service directly from the company's substation or directly from the company's primary distributing line at the voltage of such substation or distributing line.

**TERRITORY.**

Applicable to the entire territory served by the company.

**Rate.**

Resale and industrial service:

First 100,000 kilowatt hours per meter per month----- 1 cent per kilowatt hour  
All over 100,000 kilowatt hours per meter per month--0.95 cent per kilowatt hour

**MINIMUM CHARGE.**

\$12 per year per kilowatt hour of substation capacity used, or, in case of purchase from primary distribution lines, \$1 per month per kilowatt of highest 15-minute maximum demand during the month, or 11 preceding months.

**SCHEDULE No. 10.**

(Cancelling Schedule No. 10, now in effect.)

**Transmission Service.**

Applicable to installations receiving service directly from the company's transmission line at the transmission line voltage.

**TERRITORY.**

Applicable to entire territory served by the company

**Rate.**

0.9 cents per kilowatt hour.

**MINIMUM CHARGE.**

\$1 per month per kilowatt of highest 15-minute maximum demand occurring during the month, or preceding 11 months.

**SCHEDULE No. 11.****Special Power Service.**

Service to	Rate
(a) Electric railway service-----	1.4 cents per kilowatt hour

**MINIMUM CHARGE.**

No minimum charge.

*It is hereby further ordered, that Mount Whitney Power and Electric Company shall file with the Railroad Commission of the State of California on or before the thirty-first day of March, 1920, the rates herein established.*

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-third day of March, 1920.

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### DECISION No. 7305.

IN THE MATTER OF THE SUPPLEMENTAL APPLICATION OF THE SAN JOAQUIN LIGHT AND POWER CORPORATION FOR AUTHORITY TO INCREASE RATES.

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### Supplemental Application No. 4064.

Decided March 23, 1920.

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**STANDBY PLANTS—RATE OF RETURN.**—Investment of an electric utility in a steam generating plant which is operated practically for the sole purpose of generating energy for another utility will not be included as a whole in the rate base upon which consumers of the owning company are required to provide a return. Such plant considered as suitable for standby purposes only as regards return.

**SERVICE—RATE OF RETURN.**—Claims that the public attitude of a corporation is unsatisfactory can not in themselves be considered as controlling in a proceeding to determine a fair rate for the service of the utility. It is held, however, that the Commission is vitally interested in service and will not permit a utility to neglect courtesy and fair treatment to its consumers.

**IMPROVEMENTS—RATE OF RETURN TO PROVIDE FOR—INTEREST DURING CONSTRUCTION.**—A utility which is expending considerable sums in extensions and betterments to its system must receive a return sufficiently reasonable to insure the completion and continuation of such developments. Interest upon the estimated costs of improvements under construction, but which will not be available for operative uses for some months, will not be allowed as capitalization of interest during construction period, is, and will hereafter be allowed.

**DEPRECIATION FUND—AMOUNTS TO BE SET ASIDE FOR.**—A utility with a depreciation fund maintained upon a sinking fund basis must not only set aside from earnings the depreciation annuity allowed, but in addition thereto six per cent upon the actual reserve so that accrued depreciation will not increase more rapidly than the reserve.

**GENERATING PLANTS—204—AVAILABILITY OF.**—An electric generating and distributing company can not be expected to invest large sums in the construction of generating plants for the use of natural gas unless it is assured of a reasonable continuance of supply, nor can a utility under present conditions be criticised for not having obtained long-term contracts for the purchase of oil at a low price.

**EMPLOYEES, WAGES OF—INCREASE IN—ALLOWANCE FOR.**—The Commission has not in the past questioned the wages and salaries paid by utilities to their employees, and reasonable increases granted by utilities to employees will be allowed as an operating expense.

**RATE OF RETURN—COST OF MONEY—AVERAGE DURING A PERIOD OF YEARS.**—In considering the rate of return which a utility should be allowed, the Commission can not consider merely the current year, but an average rate which the company should earn over a period of years. Where money for improvements and extensions costs the utility in excess of 7 per cent per annum, and the

utility has expended, over a period of two years, in excess of 50 per cent of the capital previously invested, it is apparent that it is entitled to a return which will not only make it possible to pay the cost of money which it is obliged to obtain, but something additional for the effort exerted to serve the public.

**COST OF SERVICE—APPURTENANCES OF—RATE BASED ON MEASURED SERVICE.**—It is found both necessary and desirable, particularly during a period of shortage, that the cost of service be equitably divided between consumers so that those who use power will pay their just proportion of the cost of service, and those who curtail the use shall be proportionately relieved of charges. Accordingly an energy form of rate should be adopted, particularly as regards agricultural consumers. Rates for oil well service are based on the fact that such service has a lower power factor than other classes of service, and the cost of either correcting the power factor or increased operation due thereto should be borne by the oil well consumers.

Record schedule of rates established effective for meter readings made on and after April 1, 1920.

*Short and Sutherland and Murray Bourae*, for Applicant.

*Evarts and Ewing*, by *D. S. Ewing*, for Fresno Traction Company.

*J. A. Hinman*, for City of Bakersfield.

*L. L. Cory*, for City of Fresno.

*Gallagher and Simpson*, by *W. E. Simpson*, for City of Clovis.

*C. E. Beaumont*, for County of Fresno.

*James F. Farragher, S. I. Merrill, Andrew Hancock and J. B. Ely*, for Kern County Farm Bureau.

*C. H. Holley*, for San Joaquin Valley Public Utility Association.

*J. J. Duell*, for Kern County Farm Bureau.

*R. Lorick*, for Merced County Farm Bureau.

DEVLIN, *Commissioner*.

#### OPINION.

San Joaquin Light and Power Corporation, hereinafter designated as applicant, asks authority to increase its electric rates so that it may earn a reasonable return upon its investment.

In its petition applicant states that it is not able to meet the demands upon its system for electric power due to continued water shortage; that the cost of operation of its system has been greatly increased by the necessity of producing a large portion of its electric energy by steam plants and by purchase of electric energy from other utilities; and further, from the increase of cost of labor, material and supplies; that it has now under construction a hydroelectric plant known as the Kerekhoff plant, located on the San Joaquin River, with a maximum capacity of 30,000 kilowatts, which should be in operation by October 1, 1920, and an additional steam unit of 12,500 kilowatts installed in its Bakersfield steam plant, which should be in operation June 1, 1920.

Applicant further states that upon the completion of the hydroelectric plant and steam developments above referred to, its present need for power will be supplied, but due to continued growth of demand for power in the district which it serves, it will require in the future large sums of money, the greater part of which must be secured from the issue and sale of securities, in order to meet its requirements,

and that it can neither issue nor find a market for such securities unless its earnings shall be such as to have heretofore been adjudged to be proper by this Commission.

Applicant requests that the 15 per cent surcharge which was authorized in the Commission's Decision No. 6095 in this matter be continued pending final decision in this application; that its rates be increased and that modifications be made in its rates as may appear just and reasonable.

Hearing in this matter was held on January 5, 1920, in Fresno, at which time applicant submitted exhibits covering the matters set forth in this application. The adjourned hearing was set for February 3, at Fresno, for completion of the introduction of evidence and cross-examination.

At the first hearing it was agreed by all parties present that the Commission should issue an ad interim order extending the existing surcharge of 15 per cent until further decision of the Commission. The Commission under date of January 10, 1920, issued an ad interim order in Decision No. 7023, in this application extending the 15 per cent surcharge until its further order.

Due to the influenza epidemic existing in the San Joaquin Valley at the time set for the adjourned hearing it was impossible to hold the hearing in Fresno, and, in view of the necessity that the matter be carried to completion without further delay, the hearing was transferred to the Commission's office in San Francisco. It was realized that by changing the place of hearing certain inconveniences would result, particularly to those consumers, who for various reasons, could not attend the hearing in San Francisco. In order that all parties unable to appear in San Francisco might not be deprived of their rights, it was stipulated and agreed by the representatives of both the consumers and the utility that ten days be allowed following the final hearing for the filing of the protests and evidence in documentary form with the Commission, and that this information be considered by the Commission. It was further stipulated that all evidence in former proceedings affecting the San Joaquin Light and Power Corporation and general data on file with the Commission, including data referring to natural gas supply, would be considered in evidence.

Protests and statements in the form of briefs or documents submitted at the hearing and also during subsequent period referred to as above are as follows:

1. Protest of Fresno Traction Company filed January 5, 1920, and amended January 7, 1920.
2. Protest and answer jointly filed on February 16, 1920, by Kern County Farm Bureau; Board of Supervisors of Kern County; Tulare

County Farm Bureau; Tulare Branch San Joaquin Valley Public Utility Association; R. Lovick, for Farm Bureau of Merced and Madera counties; J. F. Farragher and E. I. Feemster.

3. Protest by R. Lovick for Farm Bureaus of Kern, Monterey, Merced, Madera, Kings, Fresno and Tulare counties and State Farm Bureau Federation.

4. Analysis of evidence by C. H. Holley for San Joaquin Valley Public Utilities Association.

5. Transcript setting forth series of questions and answers between Mr. J. F. Farragher and fourteen power consumers of San Joaquin Light and Power Corporation and Mount Whitney Power and Electric Company.

Protest of Fresno Traction Company is to the effect that its rates should not be increased owing to the fact that its revenue is limited and further increase will only increase its loss.

Protest of Kern County Farm Bureau et al. is in general to the effect that the corporation is not entitled to the present surcharge; that agricultural rates are unfair and result in agricultural consumers bearing more than their just proportion of cost while oil service bears relatively less. It is also claimed that part of the transmission system should be charged to oil consumers; that Betteravia steam plant of applicant should be charged to the operation of Midland Counties Public Service Corporation, and, further, that it is the belief of protestants that applicant could have obtained a lower oil contract, and (or) used natural gas to greater extent.

The evidence herein shows that if the pre-war rates were made effective for the present, applicant would probably be forced into bankruptcy. The rates now in effect should be modified to equalize certain unfairness between schedules and this will be done in this proceeding. I agree in part with protestants relative to the Betteravia steam plant. This plant is largely used for the benefit of the Midland Counties Public Service Corporation service and its consumers, the plant being located at the end of that utility's transmission line. It is partly a standby plant for the San Joaquin Light and Power Corporation. The fixed charges and operating expenses, other than fuel cost at this plant, should be paid by the Midland Counties Public Service Corporation in addition to the cost of power purchased. As to the west side transmission line, this is useful not only for service of the oil industries but also as a part of the general transmission system, and I do not concur with protestants that this should be segregated to the oil business.

Protest on part of Merced and Madera Farm Bureaus claim that public attitude of corporation is unsatisfactory. Although this item can not be readily considered in determining the fair rate for power



service, this Commission is vitally concerned in the matter of service. Applicant must render service in the broadest sense and can not neglect courtesy and fair treatment if it expects to be prosperous. Protestants urge representation in company's board of directors. The question is one of company policy and not a matter under the Commission's jurisdiction.

San Joaquin Public Utility Association, besides submitting analysis of exhibits, also presents data comparing cost of service. These matters have been given careful consideration.

San Joaquin Light and Power Corporation operates an electric production, transmission and distribution system in the counties of Merced, Fresno, Madera, Tulare, Kings and Kern, and supplies Midland Counties Public Service Corporation, which supplies the counties of San Luis Obispo and the northern portion of Santa Barbara County.

The existing power plants of the San Joaquin Light and Power Corporation consist of seven hydroelectric plants with a total rated capacity of 32,750 kilowatts, and three steam plants with a total rated capacity of 17,250 kilowatts. Applicant has purchased, under agreement, surplus power from the Southern California Edison Company and Mount Whitney Power and Electric Company and it is expected that connections will be made with Pacific Gas and Electric Company May 1, 1920, by which some additional power may be obtained from that system.

The business of San Joaquin Light and Power Corporation for the year 1919, consisted of service to 29,000 consumers with a total energy sale of 183,600,000 kilowatt hours. Of this total there were 24,600 domestic and commercial lighting consumers using 17,500,000 kilowatt hours; approximately 2800 irrigation consumers using 46,000,000 kilowatt hours; 1600 industrial power consumers using 21,000,000 kilowatt hours; oil field consumers using approximately 30,000,000 kilowatt hours, and approximately 400 miscellaneous and substation consumers using 40,000,000 kilowatt hours, this latter including wholesale energy to Midland Counties Public Service Corporation and Mount Whitney Power and Electric Company at Hanford. For the year 1919, San Joaquin Light and Power Corporation had a total capital investment of approximately \$14,502,013, the gross revenue for the year being \$2,965,244.

San Joaquin Light and Power Corporation has experienced a very rapid growth of business during the last two or three years, due to the rapid development of the agricultural and oil industry in the San Joaquin Valley. During this period of growth, which has been from 25 to 40 per cent per annum, San Joaquin Light and Power Corporation has experienced deterring influences in its developments. The year 1918 was during the period of the war, when it was practically

impossible for the public utilities to finance increased developments or obtain material for additional power plants. In face of this San Joaquin Light and Power Corporation did, however, develop two small plants, but, due to the short water period of the year, was forced to produce a large amount of power from steam and also purchase power from other companies. Increased demands for business continued in 1919, resulting in a further material increase in its power business. That year was still shorter in rainfall and caused a further reduction in the output of power from the hydroelectric plants, so that the purchase of power from the Southern California Edison Company during that year increased from 13,000,000 kilowatt hours in 1918 to in excess of 50,000,000 in 1919, and the business of the company increased from an output of 188,000,000 kilowatt hours in 1918 to 239,000,000 kilowatt hours in 1919.

Early in 1919 San Joaquin Light and Power Corporation took active steps to increase its plant capacity sufficient to meet the growing demands on its system, but in view to protecting its existing consumers, refused taking on additional pumping plants and other new industrial plants, application for which was made after March 15, 1919.

Applicant has under construction, two plants—the Kerekhoff plant of 30,000 kilowatts capacity, costing approximately \$5,000,000, and the additional steam unit of 12,500 kilowatts installed in the Bakersfield steam plant costing approximately \$1,000,000. In addition to this, applicant will have expended during 1919 and 1920 an additional sum of from \$2,000,000 to \$3,000,000 in extending its transmission and distribution facilities. Neither of these developments will be in operation early enough in this year to adequately supply the full demands of existing consumers, due to the exceedingly short rainfall conditions and the lack of surplus power on interconnected systems.

It is apparent that applicant is exerting every reasonable effort to meet the demands of its consumers, and, were it not for the continued drought, over which it has no control, it would be fully supplying the requirements of its system. In the two years of 1919 and 1920 applicant will have expended an amount in excess of 50 per cent of its total electrical investment existing on January 1, 1919. This is a greater relative activity than any other similar utility in the state is undertaking, and it is apparent that in view of this effort, careful consideration should be given to insuring that the developments be completed and the service to the valley be not curtailed by failure of applicant to receive a reasonable return.

Applicant, through its witness, Mr. G. R. Kenney, submitted in its Exhibit No. 4, statement of the valuation of its electric properties based

upon the Commission's valuation in Decision No. 3241 plus capital expenditures to November 1, 1919, together with estimate of expenditures to June 30, 1920, showing a total estimated investment as of June 30, 1920, of \$22,278,605. Details of this estimate are set forth in Table No. 1, following:

In preparing this estimate of expenditures, which has been used by applicant as the rate base for the year 1920 in its computations of earnings, etc., applicant has added, for the year 1919, and for the first six months of 1920, the actual and estimated expenditures for new developments regardless of whether or not the same have become operative. In the case of substation, distribution and extension to transmission line it appears that this method may be considered as correct as these extensions and additions become operative in a very short period after construction has commenced, and, in determining the rate base for 1919 and 1920, hereinafter set forth, I have in general allowed the expenditures as submitted, making correction, however, for the fact that new business will not be added to any great extent upon the company's system due to the power shortage.

TABLE No. 1.

**San Joaquin Light and Power Corporation Properties—Valuation as to June 30, 1920, as Estimated by San Joaquin Light and Power Corporation.**

	Valuation as of December 31, 1918†	Additions and betterments, 1919‡	Valuation as of December 31, 1919	Additions and betterments, 6 months, 1920	Valuation as of June 30, 1920
Intangible .....	\$86,071 00		\$86,071 00		886,071 00
Production .....	5,247,290 63	\$3,283,770 83	8,512,991 46	\$2,442,186 37	10 955,177 83
Transmission* .....	1,763,619 04	333,851 26	2,097,500 50	224,881 21	2,322,381 51
Substation .....	827,799 08	153,439 12	980,238 20	292,989 63	1,273,227 83
Distribution .....	4,598,733 61	600,053 56	5,288,787 20	820,000 00	6,108,787 20
General .....	358 378 68	52,116 31	410,494 99	72,464 67	482,959 66
<b>Totals.....</b>	<b>\$12,881,852 04</b>	<b>\$4,512,231 11</b>	<b>\$17,376,083 15</b>	<b>\$3,552,521 88</b>	<b>\$21,238,605 03</b>
Working cash capital.....					300,000 00
Materials and supplies.....					750,000 00
<b>Total.....</b>					<b>\$22,278,605 03</b>

\*Includes telephone capital chargeable to Electric Department.

†C. R. C. valuation as of December 31, 1915, plus additions and betterments for 1916, 1917 and 1918.

‡Additions and betterments for November and December estimated.

Applicant sets forth a total expenditure for production capital of \$3,283,771 for the year 1919, plus \$2,442,186 for the six months ending June 30, 1920. This total sum of \$5,725,957 covers the installation of the 12,500 kilowatt steam turbine, costing approximately \$1,000,000, to be installed in the Bakersfield steam plant, and the sum of \$750,000 for the development of the Kerekhoff plant on the Kings River.

The Commission has in the past, and it appears to be the proper basis in determining the return to be allowed to use as the rate base the investment in operative property. The evidence shows that the steam plant at Bakersfield will not be in until June 1, 1920, and that the Kerckhoff hydroelectric plant will not be in operation before October 1, 1920. In view of these facts it does not appear that the total investment, a large portion of which is under construction at this time and on which interest is capitalized during the construction period, should be considered as a part of the rate base until the same does become operative. Proceeding on this basis, it appears that the increase in the production capital for the year 1919 to be considered as part of the rate base should be the sum of \$400,000, and the item of transmission capital should be \$250,000 instead of \$3,283,771 and \$333,851, respectively; included in applicant's Exhibit No. 4.

In Table No. 2 there is set forth the original estimate of the valuation of the San Joaquin Company's property by the Commission as of December 31, 1915, segregated into the items of intangible capital, production, transmission, substation, distribution and general. To these figures have been added the additions and betterments by years for the years 1916, 1917 and 1918, which give a total figure for the investment other than working cash capital and material and supplies the sum of \$12,861,852 as of December 31, 1918. The additions and betterments set forth for the year 1919, represent the expenditures during 1919, for the property which has been placed in operation. These additions total \$1,582,322 for the year as against applicant's figure of \$4,512,231. Applicant's figure includes certain items for which money has been expended which will be allowed by the Commission when such property becomes operative.

TABLE No. 2.

**California Railroad Commission Determination of Rate Base of San Joaquin Light and Power Corporation as of June 30, 1920, Including Additions and Betterments for 1916 to June 30, 1920.**

	Original valuation of C.R.C. as of December 31, 1915	Additions and betterments, 1916	Valuation as of December 31, 1916	Additions and betterments, 1917	Valuation as of December 31, 1917	Additions and betterments, 1918
<b>Intangible</b> -----	\$86,071 00		\$86,071 00		\$86,071 00	
<b>Production</b> -----	4,295,463 00	\$163,734 56	4,459,197 56	\$300,506 33	4,819,703 89	\$431,516 74
<b>Transmission*</b> -----	1,490,188 00	34,003 71	1,524,791 71	177,708 18	1,702,499 89	61,149 15
<b>Substation</b> -----	517,410 00	38,293 81	555,703 81	85,789 88	641,493 72	186,395 36
<b>Distribution</b> -----	2,476,095 00	448,644 38	2,924,739 38	968,145 13	3,892,884 51	705,849 10
<b>General</b> -----	287,404 00	37,502 25	324,906 25	16,716 03	341,622 28	16,756 40
<b>Totals</b> -----	\$9,152,631 00	\$722,778 74	\$9,875,409 74	\$1,008,805 55	\$11,484,275 29	\$1,401,576 75

\*Includes telephone capital chargeable to electric department.

TABLE No. 2—Continued.

	Valuation as of December 31, 1918	Additions and betterments, (operative) 1919	Valuation as of December 31, 1919	Estimated operative additions and betterments, 1920	Estimated operative valuation as of June 30, 1920
Intangible .....	\$86,071 00		\$86,071 00		\$86,071 00
Production .....	5,251,220 63	\$400,000 00	5,651,220 63	\$1,735,000 00	7,386,220 63
Transmission* .....	1,763,649 04	250,000 00	2,013,649 04	300,000 00	2,313,649 04
Substation .....	827,799 06	165,030 91	992,829 99	200,000 00	1,192,829 99
Distribution .....	4,598,733 61	716,066 11	5,314,819 72	400,000 00	5,714,819 72
General .....	368,378 68	51,205 07	409,583 75	40,000 00	449,583 75
Totals .....	\$12,885,852 04	\$1,582,322 09	\$14,468,174 13	\$2,675,000 00	\$17,143,174 13
Material and supplies .....					600,000 00
Working cash capital .....					300,000 00
Rate base—1920 .....					\$18,043,174 13

\*Includes telephone capital chargeable to Electric Department.

Referring to the year 1920: the new unit in the Bakersfield steam plant will be in operation on June 1. The investment in this unit, approximating \$1,000,000, will be operative for seven months of the year. On this basis there should be allowed for the steam unit \$585,000 in the rate base for the year 1920. In the same manner the additions and betterments, upon which interest should be paid by the consumers, for the Kerckhoff plant, will be allowed at \$1,150,000, based upon three months' operation of the plant. The sum of these two items, \$1,735,000, is the figure which appears to be the correct amount to be added to the rate base of San Joaquin Light and Power Corporation for production capital during the year 1920.

Table No. 2, above referred to, sets forth the capital as of December 31, 1915, 1916, 1917, 1918, 1919 and June 30, 1920, corrected as heretofore referred to.

Table No. 3 sets forth the reasonable rate base by years as determined above for the years 1916 to 1920, inclusive, representing the average operative capital for each of those years. This shows a total rate base for 1920 of \$18,043,174.13 as compared with the company's figure of particularly \$22,278,605.03.

TABLE No. 3.

Average Capital of Electric Department, 1916 to 1919, and California Railroad Commission Estimate for 1920.

	1916	1917	1918	1919	Est. 1920
Intangible .....	•	•	\$86,071 00	\$86,071 00	\$86,071 00
Production .....	\$4,377,330 28	\$4,039,450 72	5,035,402 26	5,451,220 63	7,386,220 63
Transmission .....	1,509,680 85	1,015,845 80	1,733,074 46	1,888,649 04	2,313,649 04
Substation .....	521,449 92	583,491 78	734,046 40	910,314 53	1,192,829 99
Distribution .....	2,718,086 34	3,426,481 10	4,245,809 06	4,966,776 06	5,714,819 72
General and undistributed .....	393,696 62	442,143 76	350,000 48	383,981 21	449,583 75
Totals .....	\$9,520,253 01	\$10,707,413 16	\$12,186,063 66	\$13,677,013 08	\$17,143,174 13
Material and supplies .....	328,624 00	896,389 00	464,154 00	525,000 00	600,000 00
Working cash capital .....	183,500 00	183,500 00	211,217 97	300,000 00	300,000 00
Totals .....	\$9,982,377 01	\$11,237,302 16	\$12,860,435 63	\$14,502,013 08	\$18,043,174 13

\*Intangible items included with tangible items.

San Joaquin Light and Power Corporation, through its engineer Mr. G. R. Kenny, submitted an estimate of depreciation based upon 6 per cent sinking fund but with much shorter lives than formerly found by this Commission to be reasonable in its decision in 1916 and as allowed in its decisions in 1918 and 1919. The estimate of Mr. Kenny for 1920 is \$453,948, based upon the total capital as submitted by him. Compared with this figure, the depreciation annuity, based upon the total rate base as found herein to be reasonable and on rates of depreciation used by this Commission in its former decision, would be \$270,000. The difference is accounted for partly by increased capital but mostly by shorter lives as used by the company. No definite supporting data was submitted by Mr. Kenny to justify the change in estimate formerly used by the Commission, and it is my opinion that the former depreciation allowance should be continued unless definite and complete proof is shown that it is inadequate. I am, therefore, using the annuity allowance computed in the Commission's former decision.

San Joaquin Light and Power Corporation, according to its Exhibit No. 10, had, on December 31, 1919, a total depreciation reserve of \$1,711,404 covering all departments. The pro rata of reserve for the electrical department is \$1,585,000. Mr. Kenny computed the total reserve for depreciation based upon his estimated lives, at \$2,405,823.70 as of December 31, 1919. Based upon the life table as used by the Commission the depreciation reserve to be set aside as of December 31, 1919, should be, on a comparative basis, approximately \$2,000,000.

I desire to point out at this time that in addition to the depreciation annuity of \$270,000 herein allowed applicant should add to its reserve during the year 1920 the sum of 6 per cent upon the actual reserve of \$1,585,000, or \$95,100, and that as soon as its earnings are sufficient it should set aside, in order that the accrued depreciation will not increase more rapidly than the reserve, 6 per cent on approximately \$2,000,000. The total addition to reserve for the year 1920 should be, therefore, \$365,100, of which \$270,000 should be considered as operating expenses.

The growth of business of San Joaquin Light and Power Corporation has been very rapid during the past four years and the following table shows the output and sales for the years 1916 to 1919, together with an estimate of the sales for 1920 based upon conditions as were estimated the first of February, and also an estimate of the probable

output and sales which may be expected for the year 1920 under the conditions as they appear at the present time:

Year	Total production and purchase	Total sales	Per cent of increase
1916 -----	\$110,921,900	\$81,002,700	
1917 -----	143,129,600	110,278,600	37%
1918 -----	188,616,300	144,821,000	31%
1919 -----	231,664,200	183,622,300	27%
1920 (January estimate) -----	208,500,000	229,480,000	25%
1920 (estimate based on present condition) -----	270,000,000	208,000,000	13%

The above figures show the very rapid growth of power business of San Joaquin Light and Power Corporation during the past, and shows that even with a material curtailment in the taking on of new business during 1919, due to the refusal to extend for new agricultural and industrial business where application was made after March 15, 1919, the increase for 1919 was 27 per cent over the previous year. Due to the continued power shortage and the critical condition existing during the present year, and the fact that San Joaquin Light and Power Corporation can not take on any material amount of new business and will, from present indications, be required to materially curtail the use of power during the present summer, it has been the conclusion of the Commission's electrical division, after careful analysis of all evidence, that the sales for 1920 can not be expected to exceed 208,000,000 kilowatt hours, which amount appears to be practically the maximum sales that can be carried with the existing plants, the new developments as they come in, and from maximum purchase of power from other systems and with curtailment of load. From present indications the supply of hydroelectric power on applicant's system will not exceed that of 1919 for the existing plants, if, in fact, this is equaled. On this basis the output, including all sources of power, should be 270,000,000 kilowatt hours.

The estimated gross revenue of San Joaquin Light and Power Corporation's electric properties for 1920, based upon the sale of 208,000,000 kilowatt hours for the year and the present rates and surcharges, is as follows:

Gross revenue from direct electric business-----	\$3,360,000 00
Miscellaneous revenue and power delivered to other departments-----	30,000 00
Total-----	\$3,390,000 00

Table No. 4 sets forth the earnings and expenses of applicant for the years 1916, 1917, 1918, and 1919 and the estimated operating expenses for the year 1920 upon the basis of the sales as heretofore estimated. In this table there is also set forth a rate base, heretofore

found to be reasonable, for each year, the gross revenue, operating expenses segregated to the different general accounts, the estimated depreciation and net earnings and total in per cent of investment.

TABLE No. 4.

Earning Expenses and Returns of San Joaquin Light and Power Corporation for 1916 to 1919 and an Estimate for 1920.

	1916	1917	1918	1919	C.R.C. estimate, 1920, present rates
Rate base .....	\$9,082,377 01	\$11,237,302 16	\$12,800,435 63	\$14,502,013 07	\$18,043,174 13
Plant kilowatt hour output .....	110,920,894	143,129,588	188,616,265	230,664,228	270,000,000
Kilowatt hour sales .....	80,602,724	110,278,839	144,821,025	183,622,339	208,000,000
Revenue .....	\$1,560,961 07	\$1,776,261 02	\$2,326,928 20	\$2,965,244 47	\$3,390,000 00
<i>Operating Expenses.</i>					
Production:					
Fuel oil and gas .....	\$21,965 65	\$63,725 37	\$418,286 52	*\$434,750 00	\$685,000 00
Purchased energy .....		64 88	103,174 55	566,000 00	200,000 00
Other expenses .....	57,553 88	77,048 07	115,870 64	179,270 00	183,800 00
Totals .....	\$79,539 53	\$140,838 32	\$637,331 71	\$1,210,020 00	\$1,068,800 00
Transmission .....	34,680 57	33,213 10	33,100 90	36,350 00	40,800 00
Distribution .....	109,273 69	120,818 14	155,964 26	215,725 00	239,500 00
Commercial .....	85,632 91	103,667 56	106,376 31	118,350 00	130,000 00
General and miscellaneous .....	148,964 07	180,607 55	207,400 52	227,050 00	278,000 00
Increase in pay roll .....					85,000 00
Taxes .....	88,091 52	99,608 53	125,573 95	133,000 00	200,000 00
Uncollectible bills .....	4,800 00	4,729 07	4,800 00	4,800 00	5,000 00
Totals .....	\$550,982 29	\$683,552 27	\$1,270,547 65	\$1,945,295 00	\$2,042,100 00
Return for interest and depreciation .....	\$1,009,968 78	\$1,092,709 35	\$1,056,380 55	\$1,019,949 47	\$1,347,900 00
Depreciation .....	146,641 00	166,453 00	192,300 00	216,000 00	270,000 00
Return for interest .....	\$863,327 78	\$926,256 35	\$864,080 55	\$803,949 47	\$1,077,900 00
Per cent for interest .....	8.65%	8.24%	6.72%	5.54%	5.97%

\*Expense for November and December, 1919, estimated.

Referring to the estimated operating expenses, the Commission's electrical division has checked the estimated cost of fuel for the production of power by applicant, as set forth in applicant's Exhibit No. 11, and is of the conclusion that this represents a fair estimate of the cost of power from the steam plant although the operating costs of the Betteravia steam plant show low efficiency. The estimate set forth by Mr. Kenny is based upon larger sales than herein estimated, but it is to be noted that the increase in sales estimated was based upon a greater amount of power from hydroelectric and not from steam plants, the latter being operated to full capacity.

It is urged by protestants that large amounts of natural gas have been and are available in the oil fields of Kern County which applicant could have purchased for a price of from 5 to 10 cents per



thousand cubic feet, and that applicant has been negligent in not contracting for this gas in place of purchasing oil at present prices.

The Commission has been in touch with the gas situation in the oil fields mentioned for the past several years, and does not find that there has been an available surplus supply of natural gas which could have been made available to applicant until after July, 1919, when a large gas well was brought in in the Elk Hills field. For some months it was not definitely assured that this field was dependable enough to justify a large investment. However, applicant is constructing a 12,500 kilowatt steam unit in its Bakersfield plant which will be operated by the use of gas produced from this field and transmitted to Bakersfield by Midway Gas Company, to be sold to applicant at 10 cents per thousand cubic feet. Applicant is now contemplating a steam plant in Elk Hills field, which can not be in operation however during this year.

Large steam plants can not be constructed in much less than twelve months and investment in electric plants in the gas fields can not be justified without assurance that a gas supply will be maintained for several years.

Protestants also urged applicant could have obtained oil for a long term contract at a low price. Investigation of contracts for oil does not show that applicant could have obtained such a contract. I do not believe that protestants' criticism of applicant in this respect is well founded.

Mr. Kenny has set forth various estimates of the cost of purchased power, these estimates varying with the different assumptions as to the total sales and estimated purchases. From analysis of these estimates it appears that the conditions which will exist in 1920 have not been fully considered and that the net purchase of power during the year will be greater than heretofore estimated and at a cost in excess of that computed by Mr. Kenny. The transfer of power between utilities has been put under the control of the Railroad Commission by the utilities. Although the exact cost of purchased power can not be definitely determined it appears that even with the additional power plants installed by San Joaquin Light and Power Corporation the net cost of purchased power will be approximately \$200,000.

Relative to estimates of other operating expenses, analysis of the exhibits and comparison of the operating costs in the past with those now in effect, considering increased extent of business of the company and also the increased cost of labor, material, etc., it appears that the estimates submitted by Mr. Kenny are, in general, to be considered as reasonable. I have, however, reduced the commercial expense in view

of the fact that practically no new business will be taken on during the present year.

At the final hearing in this proceeding applicant's general manager Mr. A. G. Wishon testified that the board of directors was considering an increase of salaries to all employees except the general manager and assistant general manager of the company. Following the hearing San Joaquin Company advised the Commission that, commencing with February 1, the company had authorized an increase in wages and salaries of 15 per cent, this being necessary due to the increased cost of living of its employees, and the necessity of maintaining efficient and adequate help.

It appears that the increase of 15 per cent in the wages and salaries of the electrical department chargeable to operation for the eleven months would represent a total increase of approximately \$85,000. The Commission has not in the past questioned the wages and salaries of the employees of a utility, and, in view of a general check made by the Commission's staff as to the salaries and wages paid by this company, it appears that this increase should be allowed as part of the operating costs of the company.

The estimate of taxes set forth in applicant's Exhibit No. 11 has been increased from \$160,000 to \$200,000. Applicant is required to pay 5.6 per cent of its gross revenue as taxes. The obligation to pay these taxes is incurred during the year the revenue is obtained and is a direct operating charge, and, in the determination of rates, the taxes being based upon the revenue for the year for which rates are considered, state taxes being 5.6 per cent of the gross revenue and 2 per cent of the gross revenue where city and county franchise taxes are required. It appears, on this basis, that the taxes chargeable to operation on San Joaquin system for the year 1920 will be \$200,000.

From the above it appears that the rate of return to be obtained by applicant during the year 1920, based upon the present rates, will be approximately 5.97 per cent of the rate base representing the average operative property for the year; that to obtain a total return of 8 per cent upon the capital for the year 1920 would require an increase in rates of \$366,000, or approximately 10.8 per cent increase over the present rates including the surcharge. It is well to note that under conditions of a normal or average year of rainfall and precipitation the output of applicant's hydroelectric plants would be approximately 50,000,000 kilowatt hours in excess of that based upon the above estimate, and were average conditions in effect the company's earnings would be increased, due to both the increase in sales and the reduced use of steam and purchased power, to the

amount of \$300,000 to \$400,000, or, under average conditions, the present rates would result in a net return of 8 per cent.

Considering now the question of what rate of return applicant should be allowed during the present year, the Commission has to consider not only the general question of the average rate which the company should earn over a period of years, but, in this particular instance, consideration must be given to the effect of a seriously reduced earning power during the present year upon the ability of applicant to complete the present developments and meet the requirements of the valley for power. Were this a single short year or the second short year following a period of prosperous operating conditions of the company little relief would appear to be necessary. However, prior to the series of dry years which have occurred since 1918, applicant's earnings only slightly exceeded an 8 per cent return. During 1918 and 1919 applicant's earnings have been 1.28 per cent and 2.46 per cent below an 8 per cent return, and were the present rates continued for 1920 a further failure to earn 8 per cent of \$366,000 would occur, making a total deficit of 5.77 or an average return of 6.08 per cent.

The money necessary to develop the power plants of applicant is costing it in excess of 7 per cent per annum, and, in the present case, where applicant is expending, during the years 1919 and 1920, in excess of 50 per cent of the capital previously invested, it is very apparent that applicant's consumers can not and should not expect to receive service at rates which will not make possible payment by applicant of its cost of money and something additional as compensation for the effort exerted to serve the public.

It is well to emphasize in connection with the matter of increase in rates for electric service that even with the increases herein authorized the percentage of increase in cost of electric service over pre-war conditions will be materially lower than the general increase in the cost of labor and supplies which applicant has had to pay, and is less in general than the increase in the price received by applicant's consumers for their products, whether the same be labor, manufactured products or products of the farm. Applicant's agricultural consumers are, in general, receiving prices for their products approximately 100 per cent in excess of those received prior to the war, and the price of labor and supplies have also increased from 50 to 100 per cent.

Applicant's oil consumers have received an increase in the price of oil from 100 to 200 per cent since applicant's rates were fixed in 1916. Applicant is, to a certain extent, dependent upon oil as a fuel for

producing power, and it would appear that applicant's oil consumers should be ready to pay any increase in rates found necessary.

I feel certain that applicant's consumers will gladly meet their responsibility by paying the increased rates when they realize that it is vitally essential to the prosperity of the valley that the San Joaquin Light and Power Corporation be granted an increase in rates in order that it continue to serve its patrons adequately and meet the increasing demands for power which are continually being made upon its system.

The rate of return herein authorized is based upon applicant's investment and not upon any estimated present value of the properties, which would be in general a materially greater amount. This should be given consideration in comparing the return which applicant receives with that received by other industries.

It is very apparent that an emergency exists in the form of a shortage of power which will require curtailment in the use of power probably to the extent of from 10 to 30 per cent during the year by consumers now on San Joaquin Company's system. This amount of curtailment on a system such as San Joaquin Light and Power Corporation is a very serious one as a large portion of the output is for irrigation purposes. Special consideration of rates must be made.

The existing rates of San Joaquin Light and Power Corporation are of such form that it would be almost impossible to correct the charges for service where curtailment of use occurs, the rates for agricultural and industrial service being either a flat or demand-and-energy form. This also applies to substation and wholesale consumers.

Reduction in use of consumers must be accompanied by a reduction in charge whether the rate be a flat or strictly an energy charge form of rate. The general consensus of opinion of the Commission's engineers, after quite extended conferences with representatives of the consumers and of the utilities, is to the effect that, were conditions such that no curtailment of power was required, the form of rates to be charged on this system and also that of the Mount Whitney Power and Electric Company should be, for industrial purposes, a block, load factor schedule with minimum bill, and a demand-and-energy form of rate; that for agricultural and substation use a demand-and-energy form of rate would be advisable. In view of the shortage, however, it is very apparent, in order that the cost of service be equitably divided between the consumers, and that those who use the power will pay their just portion of the cost and those who curtail the use of power will be proportionately relieved of the charges, an energy form of rate should be adopted especially in the case of agricultural consumers. The rates set forth in the order

herein are made to take care of this condition. This form of rate will necessarily increase certain consumers to a greater extent over present rates than the average increase required. Consumers who now operate on a long period use at high load factor will necessarily have greater increased rates. This must be expected as the main increase in cost of service has been in the production of energy. However, in view of the conditions as they exist at the present time, it appears advisable that this form of rate be used and consumers charged according to the energy consumed.

The rates set forth in the order herein contemplate the conditions existing under the power shortage and are figured to give a net return of 8 per cent to San Joaquin Light and Power Corporation based upon the total sales of 208,000,000 kilowatt hours, with a less return in case reduction of load is necessary.

San Joaquin Company's substation and transmission rates have been in the form of demand-and-energy rate, the energy rate being small. The consumers on these rates, in general, have been paying less than 1 cent per kilowatt hour—in fact, the rate to Midland Counties Public Service Corporation has averaged approximately 7.5 mills per kilowatt hour, which is relatively too low compared with the cost of service at this time. The rates herein fixed for substation and transmission service will be based on energy consumption regardless of load factor conditions and with no minimum charge.

Rates for oil well service have been determined based upon the fact that the oil well service in general has a lower power factor than other classes of service and cost of either correcting this power factor or the increased operation due to this low power factor should be borne by the oil well consumers. In addition, the probable length of the period of this service is less than other service. This fact is considered in connection with the rates fixed.

The rates herein fixed will be temporary rates effective for the year 1920 and subject to revision upon a basis of normal operation as soon as the present period of reduced supply of hydroelectric power ceases.

I recommend the following form of order:

#### ORDER.

San Joaquin Light and Power Corporation having filed herein its supplemental application asking authority to increase its rates charged for electric energy, public hearings having been held, this proceeding having been submitted and now ready for decision:

The Railroad Commission hereby finds as a fact that the existing rates for electric energy sold by San Joaquin Light and Power Corporation together with the surcharge now authorized are, under existing

conditions, unjust and unreasonable, and that the rates herein established are just and reasonable rates.

Basing its order on the foregoing findings of fact and on the other findings of fact contained in the opinion preceding this order;

*It is hereby ordered*, that all electric rates and surcharges now charged by San Joaquin Light and Power Corporation be and the same are hereby cancelled, effective for all electric service rendered, based on meter readings taken on and after April 1, 1920.

*It is hereby further ordered*, that San Joaquin Light and Power Corporation be, and the same is hereby, authorized to charge and collect for all electric service rendered, based upon meter readings taken on and after April 1, 1920, and upon all flat rate service rendered on and after April 1, 1920, the following rates:

#### **SCHEDULE No. 1.**

(Cancelling Schedule No. 1, now in effect.)

##### **General Domestic and Commercial Lighting.**

###### **TERRITORY.**

Applicable to entire territory served by the company.

###### **Rate.**

First 20 kilowatt hours per meter per month.....	9 cents per kilowatt hour
Next 80 kilowatt hours per meter per month.....	6 cents per kilowatt hour
Next 200 kilowatt hours per meter per month.....	5 cents per kilowatt hour
All over 300 kilowatt hours per meter per month.....	4 cents per kilowatt hour

###### **MINIMUM CHARGE.**

\$1 per meter per month.

#### **SCHEDULE No. 2.**

(Cancelling Schedule No. 2, now in effect.)

##### **Commercial Lighting Service.**

###### **TERRITORY.**

Applicable to entire territory served by the company.

###### **Rate.**

###### **(a) Readiness to serve charge:**

First 4 kilowatts of maximum demand or less per month.....	\$10 00
All over 4 kilowatts of maximum demand per month per kilowatt....	2 00

###### **(b) Energy charge:**

First 1000 kilowatt hours per meter per month.....	2½ cents per kilowatt hour
All over 1000 kilowatt hours per meter per month....	2 cents per kilowatt hour

###### **SPECIAL CONDITIONS.**

(a) The total monthly charge is the sum of the readiness-to-serve and energy charges.

(b) Under this schedule watt demand indicators and watt-hour meters will, in all cases, be installed and maintained by the company and at the company's expense.

(c) The maximum demand shall be the greatest average kilowatt demand registered during any 15-minute interval during the month.

**SCHEDULE No. 3.**

(Cancelling Schedule No. 3, now in effect.)

**Public Outdoor Lighting Service.**

Applicable to all street, highway and other public outdoor lighting service.

**TERRITORY.**

Applicable to entire territory served by the company.

**Rate.**

Type of lamp	Annual demand charge, per each lamp	Charge, per each 100 lamp hours
<b>Are lamps:</b>		
(1) 6.6 ampere enclosed alternating current.....	\$38 00	\$0 55
(2) 6.6 ampere luminous .....	43 70	60
(3) 4.0 ampere luminous .....	39 50	55
<b>Incandescent lamps:</b>		
(4) 400 watt multiple or 600 candle-power series.....	\$35 40	\$0 70
(5) 500 watt multiple .....	36 40	85
(6) 300 watt multiple .....	53 85	60
(7) 250 watt multiple or 400 candle-power series.....	32 40	50
(8) 150 watt multiple or 250 candle-power series.....	27 00	35
(9) 100 watt multiple .....	22 40	25
(10) 80 watt multiple or 100 candle-power series.....	19 40	18
(11) 60 watt multiple or 80 candle-power series.....	16 10	12
(12) 40 watt multiple or 60 candle-power series.....	13 80	10
(13) 32 candle-power series.....	13 20	10

**SPECIAL CONDITIONS.**

(a) The demand charge to be paid in twelve equal monthly payments throughout the year.

(b) The total charge for any month is to be one-twelfth of the annual demand charge plus the lamp-hour charge for that month.

(c) All-night lamps will be considered as burning 4000 hours per year.

(d) Under the above schedule the company bears the installation, maintenance and operating expense and provides all necessary lamp renewals.

(e) Where the company is required to provide ornamental lighting posts or standards an additional charge will be made for the same.

**SCHEDULE No. 4.**

(Cancelling Schedule No. 3-A, now in effect.)

**Electrolier System Service.**

Applicable to electrolier systems used for street and other outdoor illumination receiving energy at a central point and at a primary voltage of the company's distributing mains prevailing in that district in which the electrolier system is located.

**TERRITORY.**

Applicable to entire territory served by the company.

**Rate.**

Consumption per kilowatt of maximum demand per month:

First 50 .....	4.8 cents per kilowatt hour
Next 75 .....	2.4 cents per kilowatt hour
All over 125 .....	1.2 cents per kilowatt hour

**MINIMUM CHARGE.**

\$36 per year per kilowatt of installed capacity.

**SPECIAL CONDITIONS.**

The maximum demand shall be the greatest average kilowatt demand registered during any 15-minute interval during the month.

**SCHEDULE No. 5.**

(Cancelling Schedules Nos. 14 and 14-A, now in effect.)

**Domestic Heating, Cooking and Combination Lighting, Heating or Cooking Service.**

Applicable to domestic service using heating and (or) cooking equipment of 3 kilowatts or more capacity.

**TERRITORY.**

Applicable to entire territory served by the company.

**Rate.**

First 30 kilowatt hours per meter per month-----9 cents per kilowatt hour  
 Next 130 kilowatt hours per meter per month-----4 cents per kilowatt hour  
 All over 160 kilowatt hours per meter per month-----1½ cents per kilowatt hour

**MINIMUM CHARGE.**

75 cents per active kilowatt per month, but not less than \$2.50 per month.

**SPECIAL CONDITIONS.**

In determining the heating and cooking capacity lamp socket devices such as flat-irons, toasters, etc., shall not be included.

**SCHEDULE No. 6.**

(Cancelling Schedules Nos. 14 and 14-A, now in effect.)

**Commercial Heating and Cooking Service.**

Applicable to commercial heating and (or) cooking service, excluding all lighting service and all lamp socket devices.

**TERRITORY.**

Applicable to entire territory served by the company.

**Rate.**

First 150 kilowatt hours per meter per month-----4 cents per kilowatt hour  
 All over 150 kilowatt hours per meter per month-----1½ cents per kilowatt hour

**MINIMUM CHARGE.**

75 cents per kilowatt of active connected heating and cooking capacity per month, but not less than \$2.50 per month.

**SPECIAL CONDITIONS.**

Heating and cooking service to be delivered over a circuit and measured by a meter separate from the lighting circuit and meter.

**SCHEDULE No. 7.**

(Cancelling Schedules Nos. 4, 5, 6-A, 6-B, now in effect.)

**Agricultural Service.**

Applicable to all service rendered for agricultural purposes.

**TERRITORY.**

Applicable to entire territory served by the company.

**Rate.****Rate per Kilowatt Hour of Connected Loads.**

Consumption per horsepower per month	3 h.p. to 6 h.p.	7 h.p. and over
First 125 -----	2.4¢	2¢
All over 125 -----	1.4¢	1.4¢



**MINIMUM CHARGE.**

No minimum charge. (During 1920.)

**SPECIAL CONDITIONS.**

Installations of less than 3 horsepower used for agricultural purposes:

(a) May receive service under this schedule on the basis of a 3-horse-power installation; or

(b) May be classified as industrial service and receive service under the general industrial service schedule of rates.

**SCHEDULE No. 8.**

(Cancelling Schedules Nos. 7, 8, 9-A, 9-AA, 9-B, 9-C, 9-D and 13, now in effect.)

**General Industrial Power Service.**

Applicable to all general power service and to agricultural installations of less than 3-horsepower capacity.

**TERRITORY.**

Applicable to entire territory served by the company.

**Rate.**

(a) Installations of less than 5-horsepower capacity:

First 200 kilowatt hours per meter per month-----6 cents per kilowatt hour

Next 200 kilowatt hours per meter per month-----3 cents per kilowatt hour

All over 400 kilowatt hours per meter per month--1½ cents per kilowatt hour

**Rate.**

(b) Installations of 5 horsepower or over:

**Rate per Kilowatt Hour of Active Loads.**

Consumption per horsepower of active loads	5 h.p. to 9 h.p.	10 h.p. to 24 h.p.	25 h.p. to 49 h.p.	50 h.p. to 99 h.p.	100 h.p. and over
First 50 kilowatt hours-----	4.4¢	3.6¢	3.2¢	3.0¢	2.8¢
Next 50 kilowatt hours-----	2.0¢	2.6¢	1.9¢	1.8¢	1.8¢
All over 100 kilowatt hours-----	1.3¢	1.2¢	1.1¢	1.0¢	1.0¢

**MINIMUM CHARGE.**

\$1 per horsepower of active connected load per month.

**SPECIAL CONDITIONS.**

(a) Upon application of the consumer, or at the option of the company, the block and minimum charges may be based upon the maximum demand for installations exceeding 25 horsepower, in which case the maximum demand shall not be less than 50 per cent of the rated capacity of the connected load and not less than 25 horsepower.

The maximum demand shall be determined to the nearest even 5 horsepower.

(b) In case the consumer requests the installation of a demand meter, the company shall charge a rental charge of \$3.50 per year for the use of such meter.

(c) The maximum demand shall be the greatest average kilowatt demand registered during any 15-minute interval during the month.

**SCHEDULE No. 9.**

(Cancelling Schedules Nos. 7 and 7-A, now in effect.)

**Oil Field Service.**

Applicable to all power service supplied to equipment used for pumping of oil wells, operating and gathering pumps, lease line pumps and dehydrating plants, in connection with the production of oil.

**TERRITORY.**

Applicable to entire territory served by the company.

**Rate.**

1.4 cents per kilowatt hour.

**MINIMUM CHARGE.**

No minimum charge.

**SCHEDULE No. 10.**

(Cancelling Schedule No. 10, now in effect.)

**Substation Service.**

Applicable to installations receiving service directly from the company's substation or directly from the company's primary distributing line at the voltage of such substation or distributing line.

**TERRITORY.**

Applicable to entire territory served by the company.

**Rate.**

(a) Oil field service.....1.10 cents per kilowatt hour

(b) Resale and industrial service:

First 100,000 kilowatt hours per meter per month...1 cent per kilowatt hour

All over 100,000 kilowatt hrs. per meter per month...0.95 cent per kilowatt hr.

**MINIMUM CHARGE.**

\$12 per year of substation capacity used, or, in case of purchase from primary distributing line, \$1 per month per kilowatt of highest 15-minute maximum demand during the month, or 11 preceding months.

**SCHEDULE No. 11.**

(Cancelling Schedule No. 11, now in effect.)

**Transmission Service.**

Applicable to installations receiving service directly from the company's transmission line at the transmission line voltage.

**TERRITORY.**

Applicable to entire territory served by the company.

**Rate.**

0.9 cent per kilowatt hour.

**MINIMUM CHARGE.**

\$1 per month per kilowatt of highest 15-minute maximum demand occurring during the month, or preceding 11 months.

**SCHEDULE No. 12.**

(Cancelling Schedules Nos. 12 and 15, now in effect.)

**Special Power Service.**

Service to	Rate
(a) Fresno City Water Company.....	2½ cents per kilowatt hour
(b) Electric railway service.....	1 cent per kilowatt hour

**MINIMUM CHARGE.**

No minimum charge.

*It is hereby further ordered,* that electric energy to the Midland Counties Public Service Corporation shall be rendered under the rate herein set forth as Transmission Rate, Schedule No. 11, applicable to Resale and Industrial Service, and, further, that such electric energy

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to that company shall be delivered and measured at San Joaquin Light and Power Corporation's Henrietta substation and at Betteravia steam plant.

*It is hereby further ordered*, that San Joaquin Light and Power Corporation shall charge Midland Counties Public Service Corporation for the total cost of operating Betteravia steam plant, including interest, depreciation, maintenance and operating expenses except fuel expense, in addition to the cost of electric energy delivered.

*It is hereby further ordered*, that San Joaquin Light and Power Corporation shall file with the Railroad Commission of the State of California, on or before the thirty-first day of March, 1920, the rates herein established.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-third day of March, 1920.

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DECISION No. 7308.

IN THE MATTER OF THE APPLICATION OF FARMERS IRRIGATION COMPANY FOR AN ORDER AUTHORIZING IT TO ISSUE AND SELL SECURITIES AND TO DEVOTE THE PROCEEDS OF SAME TO PUBLIC UTILITY PURPOSES, VIZ, TO IMPROVEMENTS IN ITS WATER SYSTEM.

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Application No. 5248.

Decided March 23, 1920.

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*George E. Farrand*, for Applicant.

MARTIN, *Commissioner*.

**OPINION.**

In this application, as amended at the hearing, Farmers Irrigation Company asks permission to issue and sell at par \$76,200 par value of its common capital stock.

Farmers Irrigation Company reports an authorized stock issue of \$250,000, divided into 2,500 shares of the par value of \$100 each. On December 31, 1919, it reported \$118,200 of stock outstanding, of which \$94,600 is owned by the Limoneira Company. Applicant owns and operates the ditch systems formerly known as "The River Street Ditch" and "Farmers Ditch and Water System," and through these ditch systems supplies water for irrigation purposes in and about Santa Paula, Ventura County, California.

The record shows that applicant is engaged in replacing open ditches with concrete pipe varying from 36 inches to 48 inches in diameter and the construction of concrete pipe laterals varying from 12 inches to

18 inches in diameter, and that the cost of the improvements as estimated by its engineers is \$76,160.08. The estimated cost is set forth in detail in the petition herein. The construction of the concrete pipe lines should result in a considerable saving of water on account of prevention of seepage, a reduction in operation expenses because of obviating the necessity of cleaning ditches, and may make it possible to supply water to additional acreage.

The testimony shows that Farmers Irrigation Company has paid out of income for the construction of permanent improvements the sum of \$4,015.98. These improvements were constructed by the Santa Clara Water and Irrigating Company during the period in which it operated Farmers Ditch and Water System for and on behalf of Farmers Irrigation Company and under the agreement under the terms of which the Farmers Ditch and Water System was sold by the Santa Clara Water and Irrigating Company to Farmers Irrigation Company. I believe that applicant should be permitted to issue stock at par for the purpose of reimbursing its treasury because of the \$4,015.98 paid to the Santa Clara Water and Irrigating Company.

I herewith submit the following form of order:

#### ORDER.

Farmers Irrigation Company having applied to the Railroad Commission for authority to issue \$76,200 par value of stock, a public hearing having been held, and the Commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose or purposes specified in this order, and that the expenditures for such purpose or purposes are not in whole or part reasonably chargeable to operating expenses or to income;

*It is hereby ordered*, that Farmers Irrigation Company be, and it is hereby, authorized to issue, and sell at not less than par, on or before December 31, 1920, \$76,200 par value of its common capital stock and to use \$4,015.98 of the proceeds to reimburse its treasury, and the remainder, \$72,184.02, to pay for the construction of the improvements, additions and betterments described in the petition herein;

Provided, that Farmers Irrigation Company will keep such record of the issue and sale of the stock herein authorized and of the disposition of the proceeds as will enable it to file on or before the twenty-fifth day of each month a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-third day of March, 1920.

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DECISION No. 7310

IN THE MATTER OF THE APPLICATION OF SMELTZER HOME TELEPHONE AND TELEGRAPH COMPANY FOR AN ORDER AUTHORIZING INCREASE OF TELEPHONE RATES.

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Application No. 5002

Decided March 23, 1920.

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APPLICATION No. 5002—RATE BASE—REDUCTION IN NUMBER OF SUBSCRIBERS.—In considering a fair rate base no deduction is made in the value of applicant's plant, irrespective of the fact that the number of subscribers has fallen off from 330 to 220 and that a considerable portion of its plant is no longer actually used or useful in connection with its utility business.

BILLS—TELEPHONE SERVICE—PERIOD OF PAYMENT.—The payment of bills at quarterly periods is considered as unfair to the utility as the requirement of a three months' payment in advance would be to its subscribers, particularly when the utility has not an ample reserve to use as working capital. Monthly payment of bills required and applicant directed to use more efficient means of billing and collecting so as to reduce its abnormal unpaid bill losses, which at present amount to 3.9 per cent of gross revenues.

*C. C. Johnson, Esq.,* for Smeltzer Home Telephone and Telegraph Company.

*MARTIN, Commissioner.*

**OPINION.**

The applicant asks the authority of the Commission to increase telephone rates as set forth in the application and to make certain changes in the rules and regulations established by the Commission.

In General Order No. 57 the Commission continued until further order the rates put into effect by the Postmaster General on such telephone systems as had, during the period of the war, been placed under federal control. Applicant's plant was one of those systems. It appears that the rates asked for are substantially those covered by General Order No. 57.

A hearing was held in Santa Ana on December 3, 1919, and there are now before the Commission the operating and other data submitted with the application, the reports on the valuation and operating figures and conditions of the Commission's engineering department, and the annual reports of the applicant.

**Valuation, operating revenues and expenses and finances.**

The reproduction cost of this property as estimated by the Commission's engineers as of November 1, 1919, is \$24,278, and the reproduc-

tion cost less depreciation is \$15,409. The actual investment in the plant by the present owners can not be accurately determined. It is apparent, however, that a large portion of the plant (and certainly in excess of \$10,000) has been invested since 1904 out of earnings in addition to such dividends and other earnings as have been paid out by applicant. Another important item in connection with the valuation is the fact that a considerable portion of applicant's present plant is not now actually used and useful. Since 1913, it appears, the company's business has been declining from approximately 330 subscribers to the present approximate number of 220 subscribers. In considering a fair rate base, however, no deduction will be made because of this condition.

According to the statement of revenues and expenses prepared by the Commission's engineering department for the twelve months ending October 31, 1919, the company has operated with a deficit of approximately \$250 after a depreciation allowance for the twelve months of \$975 has been taken into consideration. It is a fact, however, that since 1914 applicant has paid a regular annual dividend of 10 per cent on all of the outstanding common stock and in the year 1918 a 20 per cent dividend was paid.

Considering all of the available figures, it is my belief that the company will be able under the existing rates to maintain adequate and efficient service and to make proper provision for a depreciation fund to keep its plant in good service condition.

#### **Method of billing and collecting.**

The present rates for one-party line service are quoted as net monthly rates. The present rates for ten-party line service are quoted as monthly rates subject to a discount of twenty-five cents per month if bills are paid on or before the tenth day of the month immediately following the quarter for which bills are rendered. The purpose of quarterly billing is, no doubt, to avoid the additional expense of billing, accounting and collecting which would be incurred if bills were rendered on a monthly basis. One of its effects, however, with this discount provision in effect, is to defer the payment of bills until three months' service has been furnished. There is no specific provision made in the rate schedules for quarterly billing for one-party-line subscribers, but the filed rules and regulations provide that all bills against subscribers receiving service at flat rates are due quarterly. We assume, therefore, that all bills, except for toll and telegraph service, are payable quarterly after the delivery of service. This practice is as unfair to the company as it would be unfair to subscribers to permit the company to demand payment for a period of three months in advance of delivery and, unless the company has an

ample reserve fund for working capital, may work an unreasonable hardship on the company in meeting its current expenses. In addition to this objectionable practice, petitioner has stated that it has not, since the company was organized, employed a collector, feeling that the cost of such employment would be greater than the amount which it would be unable to collect without a collector. That the practices here referred to have resulted in a considerable loss of revenue is evidenced by the fact that uncollectible revenues charged off by petitioner during the past twelve years have averaged 3.9 per cent of the gross revenues, an amount entirely too great, and one which, with ordinary diligence in the administration of reasonable rules and practices, could and should be very materially reduced.

**Rules, regulations, service and rates.**

I am not convinced that the proposed departure from, and the modification of, the rules heretofore prescribed by this Commission is justified or in the interest of efficient service to the consumers except in so far as these rules are modified in the following order. It is apparent from the record in this and similar proceedings that telephone subscribers are far more interested in efficient and reliable service than they are in slight fluctuations in the rates. The applicant should, therefore, be required to render every possible effort to give first-class service. It is my recommendation that the Commission through its engineering department keep in close touch with the situation so that it can be ascertained whether such service is actually given. Under the peculiar and somewhat abnormal conditions under which this applicant renders telephone service to widely scattered subscribers over a considerable area, I believe that it is just and reasonable to continue the present rates. Monthly collections instead of quarterly collections should be made hereafter of all the subscribers' accounts. It is also recommended that applicant be required to keep a depreciation fund to use this fund only for the purposes for which it is set aside and only under such rules and regulations as may be prescribed by the Commission. The amount estimated by the engineering department of \$975 per annum should be set aside for that purpose.

I recommend the following order:

**ORDER.**

Smeltzer Home Telephone and Telegraph Company having filed with the Commission its application for an order authorizing an increase of rates, a hearing having been held, the matter having been submitted and the Commission, basing its conclusions on the foregoing opinion, and finding as a fact that the present rates are just and reasonable;

*It is hereby ordered*, that Smeltzer Home Telephone and Telegraph Company is authorized to continue in effect and to file with the Commission within thirty days of the date of this order the following schedule of rates, which rates are the rates heretofore authorized by the Postmaster General of the United States and referred to in the preceding opinion as the present rates:

Business :	Wall set	Desk set
1-party line.....	\$3 00	\$3 25
10-party line.....	2 50	2 75
Extensions.....	1 50	1 75
Extensions (one way).....	1 00	1 25
Extension bell.....	50	50
Residence :		
1-party line.....	\$2 50	\$2 75
10-party line.....	2 00	2 25
10-party line to ministers, churches, missions, etc.....	1 00	1 25
Extensions.....	1 50	1 75
Extensions (one way).....	1 00	1 25
Extension bell.....	50	50

The authority herein is granted upon and subject to the conditions following:

(1) Adequate and efficient telephone service must be maintained at all times.

(2) A depreciation reserve of \$975 per annum, in equal monthly installments, shall be set aside and shall be accounted for and used only for such purposes as will be prescribed or authorized by this Commission.

*And it is hereby further ordered*, that Smeltzer Home Telephone and Telegraph Company, shall, until the further order of this Commission, continue in effect the rules and regulations heretofore filed with the Commission under Decision No. 2879 and in effect except as herein modified as follows:

(a) Rule No. 9 heretofore filed and in effect shall be cancelled and superseded by Rule No. 9 providing as follows:

All bills against subscribers receiving service at flat monthly rates may be rendered monthly in advance and may contain a notice that bills are due and payable when received, and, if not paid within fifteen days of receipt by the subscriber, service is subject to discontinuance without further notice.

(b) Rule No. 15 heretofore filed and in effect shall be cancelled and superseded by Rule No. 15 providing as follows:

The company will make, at its own expense, all ordinary extensions not to exceed one-quarter mile. Extensions beyond one-quarter mile shall be made under an agreement to be entered into between the company and the subscriber, subject to appeal to the Railroad Commission.



The foregoing opinion and order is hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-third day of March, 1920.

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DECISION No. 7311.

IN THE MATTER OF THE APPLICATION OF SOUTHERN CALIFORNIA  
TELEPHONE COMPANY FOR A MODIFICATION OF DECISION  
No. 3845 IN APPLICATION No. 2227.

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Supplemental Application No. 2227.

Decided March 24, 1920.

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APPLICATION No. 2227.—Upon a showing by applicant that it is impracticable to continue under a provision in a prior order of the Commission, which provided that consumers should have the choice of either automatic or manual service, such section is eliminated and applicant permitted to determine which class of service shall be given.

*James T. Shaw and H. D. Pillsbury*, for Southern California Telephone Company.

*Jess E. Stephens, Chas. S. Burnell, and H. Z. Osborne, Jr.*, for the City of Los Angeles.

EDGERTON, *Commissioner*.

**SECOND SUPPLEMENTAL OPINION.**

On November 4, 1916, the Railroad Commission issued its Decision No. 3845 in Application No. 2227 entitled, "In the matter of the application of Southern California Telephone Company for an order authorizing the issue of capital stock and bonds, the execution of a deed of trust, the purchase of property, and the operation of various franchises; of Home Telephone and Telegraph Company for an order authorizing the sale of its property to Southern California Telephone Company; of Sunset Telephone and Telegraph Company for an order authorizing the sale of a portion of its property to The Pacific Telephone and Telegraph Company; and of The Pacific Telephone and Telegraph Company for an order authorizing the sale of a portion of its property to Southern California Telephone Company and the acquisition of capital stock of Southern California Telephone Company," granting said application under certain conditions. Condition (b) of this decision provides as follows:

(b) That, except in special cases to be passed upon until further notice in each instance by the Railroad Commission, Southern California Telephone Company will install for each subscriber, present and future, the type of telephone station, whether automatic or manual, desired by the subscriber, and in its solicitation for business and in all other respects will act with absolute impartiality as between the automatic and the manual telephone stations.

In this supplemental application, Southern California Telephone Company sets forth that said condition (b) has, through subsequent development, become inapplicable to the effective and economical administration of telephone service equipment and facilities in and about Los Angeles, and asks for an immediate review of Decision No. 3845 to the end that the now obsolete condition herein referred to may be modified making it possible for applicant to most effectively, efficiently and economically administer telephone service equipment and facilities in and about the city of Los Angeles and for such other and further relief as, upon such review, may be found meet and proper.

A public hearing was held in Los Angeles on February 16, 1920. Since this hearing was held, ordinance No. 39909 N. S. was passed by the mayor and council of the city of Los Angeles, amending section 7 of ordinance No. 35474 N. S., under which Southern California Telephone Company is operating, the amended section 7 provided for in ordinance No. 39909 N. S. to read as follows:

In the installation of subscriber stations, the Southern California Telephone Company shall have the right to determine whether each installation shall be automatic or manual in accordance with the best and most efficient use of the system; provided, however, that no policy of making installations shall be pursued which will interfere with or prevent the eventual making of said system into a complete automatic system; and provided, further, that said company shall have no power to arbitrarily remove any automatic telephones theretofore installed.

Southern California Telephone Company states that, as a result of difficulty which it is experiencing in obtaining necessary material and equipment, due to the abnormal demand made upon the manufacture of material and equipment brought about as a result of the war, it has been for some time and is now unable to make prompt installations of telephones and that, in a great measure, this condition will eventually be relieved if the restrictions now placed upon it by condition (b), hereinabove referred to, are removed. It states further that in keeping pace with modern improvements in the type of telephone equipment, the manual telephones formerly employed are gradually being replaced by automatic telephones and that practically its entire equipment in the city of Los Angeles will eventually be automatic equipment.

The Railroad Commission has carefully considered all of the facts in this case and is of the opinion that this application should be granted.

#### FIFTH SUPPLEMENTAL ORDER.

Southern California Telephone Company having applied to the Railroad Commission for a modification of Decision No. 3845 in Application No. 2227, issued by the Railroad Commission on November 4, 1916, referred to in the supplemental opinion preceding this supplemental order, and a hearing having been held, and the Commission being of the opinion that this application should be granted;

*It is hereby ordered*, that Decision No. 3845, issued on November 4, 1916, be and it is hereby amended by eliminating section (b) thereof, referred to in the preceding supplemental opinion.

Provided, that in all other respects said Decision No. 3845 shall continue in full force and effect.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-fourth day of March, 1920.

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DECISION No. 7312.

IN THE MATTER OF THE CONSTRUCTION AND OPERATION OF ELECTRIC UTILITIES AND THE DISTRIBUTION AND TRANSFER OF ELECTRICITY DURING THE PRESENT EMERGENCY CREATED BY THE POWER SHORTAGE, ON THE COMMISSION'S OWN MOTION.

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Case No. 1426.

Decided March 24, 1920.

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CASE No. 1426.—Due to water shortage and the necessity for conserving, in so far as possible, the distribution and use of electric energy, the jurisdiction of the Power Administrator is extended over the electric power supply of all electric utilities throughout the state and he is empowered to issue, enforce, modify, amend and set aside such orders as he may deem necessary, to obtain such results; provided, that exercise of such authority is subject to review by the Railroad Commission.

*R. H. Ballard* and *H. A. Barre*, for Southern California Edison Company, Santa Barbara Gas and Electric Company and Mount Whitney Power and Electric Company.

*H. F. Jackson* and *C. P. Cutten* and *P. M. Downing*, for Pacific Gas and Electric Company.

*A. B. West*, for Southern Sierras Power Company.

*A. Casper*, for Vallejo Light and Power Company.

*S. Waldo Coleman*, for Coast Counties Gas and Electric Company.

*Chickering and Gregory*, for Coast Valleys Gas and Electric Company.

*Chaffee Hall* and *E. W. Beardsley*, for Great Western Power Company.

*J. D. McKee* and *W. M. Shepard*, for California-Oregon Power Company.

*W. S. Graham*, for Snow Mountain Water and Power Company.

*A. Emery Wishon* and *G. R. Kenny*, for San Joaquin Light and Power Corporation and Midland Counties Public Service Corporation.

BY THE COMMISSION.

OPINION.

This is a proceeding instituted by the Railroad Commission of the State of California on its motion with a view to investigating the matter of the construction and operation of the electric utilities in the State of California, and the distribution and transfer of electricity, during the present emergency created by the abnormally low precipitation, and also with a view to taking such action as appears necessary in order that consumers of the electric utilities in the State of California will

suffer the least hardship caused by the reduction in the supply of power.

Prior to the instituting of this proceeding, the Commission, realizing the fact that a shortage of power supply was imminent, and that active steps must be taken by the Commission to protect the interests of the public, conferences were held with the electric utilities of the state with a view to considering the question of whether the Commission should exercise jurisdiction over the entire state along the lines of that exercised in the northern part of the state during the war period of 1918 and since.

At the conference held on March 1, 1920, at the Commission's offices in San Francisco, the following agreement was entered into by the power companies in the state as listed thereafter:

The undersigned companies engaged in the business of serving electrical energy to the public, having requested the Railroad Commission to assume the responsibility of determining rules of service for the distribution of electrical energy during the emergency created by the unusually small rainfall of the present season, and realizing that adequately to meet the situation the Railroad Commission must have complete control; We, the undersigned, hereby pledge that we will obey and carry into effect to the limit of our ability, all rules, regulations and orders of the Railroad Commission concerning diminution of service or taking on of new business and interchange or delivery of power between the several companies.

Dated at San Francisco, California, March 1, 1920.

California-Oregon Power Company, by W. M. Shepard, General Agent.  
 Pacific Gas and Electric Company, by John A. Britton, Vice President.  
 Great Western Power Company of California (subject to reservations expressed in remarks of Mr. Hall, March 1, 1920; by Chaffee E. Hall, attorney.  
 Western States Gas and Electric Company, by Samuel Kahn, Vice President.  
 Snow Mountain Water and Power Company, by W. A. Graham, Manager.  
 Coast Counties Gas and Electric Company, by S. Waldo Coleman, President.  
 Coast Valleys Gas and Electric Company, by James F. Pollard.  
 San Joaquin Light and Power Corporation, by A. Emery Wishon.  
 Midland Counties Public Service Corporation, by A. Emery Wishon.  
 Southern California Edison Company, by R. H. Ballard, Vice President.  
 Santa Barbara Electric Company, by R. H. Ballard, Vice President.  
 Mount Whitney Power and Electric Company, by G. C. Ward, President.  
 Southern Sierras Power Company, by A. B. West, Vice President.  
 City of Los Angeles, by W. B. Mathews, special counsel (subject to confirmation by the Board of Public Service Commissioners of said city).  
 Los Angeles Gas and Electric Corporation, by C. A. Luckenbach, Third Vice President (conditioned in confirmation by City of Los Angeles).  
 Holton Power Company, by A. B. West, President.

The above electric utilities represent the larger portion of the power production, transmission and distribution in the State of California. These utilities, together with the city of Los Angeles operating an electric production and distribution system serving that city, have agreed to submit the matter of the distribution of electric power to the Commission for decision.

A hearing in the above entitled matter was held in San Francisco on March 24, 1920, at which time all the electric utilities were notified to appear and show cause, if any they had, why the Commission should not make an investigation, and, if no good cause appeared to the con-

trary, the Railroad Commission would proceed with the investigation and thereafter make such orders as were just and reasonable.

At the hearing in this proceeding the transcript of the conference held on March 1, 1920, together with the agreement set forth above, were formally introduced as evidence in this proceeding.

It appears from the evidence that there is a serious shortage of power in the northern and central portions of the state; that in the San Joaquin Valley a serious shortage will exist unless material assistance is had from the companies operating south of the Tehachapi. The Commission feels that if it is necessary for it to issue orders recommending curtailment of service in any way that it should exercise definite jurisdiction over the service of power by the utilities and that it direct the transfer of power from one utility to another as appears necessary.

In view of the above facts the Commission is of the opinion that the jurisdiction of the Power Administration should be extended over the entire State of California and that that office be empowered to exercise such jurisdiction as necessary in order to benefit the service of electricity throughout the state.

The Commission will be required, in connection with the operations of the utilities, to pass upon the rates charged to their consumers, and, as the cost of power obtained under the direction of the Power Administrator may materially affect the question of rates, the utilities transferring power under the direction of the Power Administrator should submit to the Commission, for its approval, the charges to be made for such service.

#### ORDER.

A public hearing having been held by the Commission in the above entitled matter, consideration having been given to the assumption by it of the administration of power and the extending of the Power Administrator's jurisdiction, and it appearing that it is to the best interests of the consumers, the utilities and the general public in the present emergency caused by the power shortage that this authority should be exercised by the Commission, and, basing its order on the power vested in it by the Public Utilities Act and the agreements made by the public utilities interested;

*It is hereby ordered*, that the position of Power Administrator be and is hereby extended to exercise jurisdiction over the electric power supply of all the electric utilities throughout the State of California; that said Power Administrator shall and he is hereby empowered to make, issue and enforce, modify, amend and set aside such orders as to him are deemed necessary, convenient or appropriate to effectuate the purposes in the foregoing opinion set forth in the matter of electric power control and administration; provided, however, that the exercise of such authority by such Power Administrator shall at all times be

subject to the direction and review of the Railroad Commission of the State of California.

*It is hereby further ordered*, that all rates and charges for electric energy supplied by one utility to another under the Power Administrator's direction or otherwise, shall be submitted to the Commission for its approval prior to the making of said charges.

The effective date of this order shall be March 31, 1920.

Dated at San Francisco, California, this twenty-fourth day of March, 1920.

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DECISION No. 7315.

IN THE MATTER OF THE APPLICATION OF SAN FERNANDO MISSION LAND COMPANY TO EXECUTE AN OPTION AGREEMENT TO LEASE AND SUBSEQUENTLY SELL TO THE CITY OF LOS ANGELES, AND THE APPLICATION OF THE CITY OF LOS ANGELES TO FIRST LEASE AND SUBSEQUENTLY PURCHASE THE COMPLETE WATER SYSTEM NOW BEING OPERATED IN THE CITY OF SAN FERNANDO, IN LOS ANGELES COUNTY, CALIFORNIA.

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Application No. 4919.

Decided March 29, 1920.

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W. G. Cooke, for San Fernando Mission Land Company.

W. B. Matthews and L. E. Whitehead, for the City of Los Angeles.

H. A. Decker, for the City of San Fernando.

LOVELAND, Commissioner.

**OPINION.**

This is a joint application brought by the San Fernando Mission Land Company and the city of Los Angeles, the former to lease and subsequently sell to the latter, in accordance with the provisions of an indenture made the seventeenth day of July, 1919, a copy of which is attached to the application herein and marked "Exhibit B," the property therein described.

A public hearing was held in this matter, at which time the city of San Fernando appeared and objected to the transfer of said property on the basis that such a transfer would work an injury to said city. Upon careful analysis of the evidence submitted, however, it appears that no such injury will result and that public convenience and necessity will be better served by the granting of the application herein.

I therefore recommend the following order:

**ORDER.**

Application having been made to the Railroad Commission as entitled above, a public hearing having been held, and the matter now being ready for decision;

*It is hereby ordered*, that said application be and the same is hereby granted; provided, the transfer herein authorized shall be consummated

in accordance with the terms of the agreement, copy of which is attached to the application herein and marked "Exhibit B"; that initial payment shall be made immediately following the date of the Commission's order herein, and that final payment of the purchase price of said properties shall have been made within twelve months from and after said date.

*It is further ordered*, that within ten days after possession or control of said water system is delivered to the city of Los Angeles, said San Fernando Mission Land Company shall file a certified statement with the Commission stating the exact date on which such possession was taken.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this twenty-ninth day of March, 1920.

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DECISION No. 7322.

IN THE MATTER OF THE APPLICATION OF MARTINEZ-BAY POINT  
STAGE COMPANY, FOR AUTHORITY TO ISSUE STOCK.

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Application No. 5082.

Decided March 30, 1920.

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*O'Connor and Schwartz*, for Applicant.

BY THE COMMISSION.

**ORDER.**

Martinez-Bay Point Stage Company asks permission to issue, and sell for cash at par, 303 shares (\$3,030) of its capital stock.

The petition shows that Martinez-Bay Point Stage Company was incorporated on July 26, 1919, with an authorized capital stock issue of \$10,000 divided into 1000 shares of \$10 each. By decision No. 7275, dated March 17, 1920, applicant is authorized to operate an automobile stage line for the transportation of passengers between Martinez and Bay Point, Contra Costa County. It is for the purpose of purchasing a seven-passenger Studebaker automobile valued at approximately \$3,000 and establishing its business that applicant asks permission to issue the 303 shares of stock. Three of the shares have been subscribed for by the directors of the corporation.

We are of the opinion that this is a matter in which a public hearing is not necessary, and that the application should be granted, subject to the conditions of this order.

*It is therefore ordered*, that Martinez-Bay Point Stage Company be, and it is hereby, authorized to issue, and sell on or before August 31,

1920, for cash at par, 303 shares (\$3,030) of its capital stock, and use the proceeds to purchase a seven-passenger Studebaker automobile, referred to in the petition herein, and for working capital; provided, that Martinez-Bay Point Stage Company keep such record of the issue and sale of stock herein authorized and of the disposition of the proceeds as will enable it to file, on or before the twenty-fifth day of each month, a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

Dated at San Francisco, California, this thirtieth day of March, 1920.

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DECISION No. 7330.

IN THE MATTER OF THE APPLICATION OF MARIE LEHRKE FOR AN ORDER AUTHORIZING SAID APPLICANT TO DISCONTINUE THE SUPPLYING OF WATER FOR DOMESTIC USE.

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Application No. 4898.

Decided March 31, 1920.

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*Henry G. W. Dinkelspiel*, for Applicant.

*Frank S. Sprague* and *Robert A. Poppe*, for Protestants.

BY THE COMMISSION.

**OPINION.**

Marie Lehrke, applicant herein, is the owner of a water system heretofore operated by George Von Staden, and is engaged in the business of selling water for domestic and garden uses to residents of the Lehrke tract near El Verano, Sonoma County, California. In this proceeding applicant asks for authority to discontinue this service or that a compensatory rate be established.

The present rates were established by this Commission in its Decision No. 4499, issued August 1, 1917, *In the matter of the application of George Von Staden for an order authorizing said applicant to discontinue the supplying of water for domestic uses* (Application No. 2952, Vol. 13, p. 619, Opinions and Orders of the Railroad Commission. This application also requested that a fair rate be established if the application for discontinuance of service were denied. Authority to discontinue service was denied and the rates established at that time were designed to be fair to the consumers and fair to applicant, inasmuch as a portion of the investment is properly chargeable to the owner of the eighty-acre tract on which the system is located.

It appears that there are only seven active consumers on this water system, of whom two have independent sources of supply, and that the revenue produced from the present rates is not sufficient to even produce operating expenses. In the present proceeding a protest was



filed by consumers against the discontinuance of the service. A public hearing was held, and from the evidence it appears that practically the same conditions exist on this tract as prevailed at the hearing of the former application, namely, that there are a few consumers who are dependent upon this system for their water supply; that they desire the service continued and are willing to pay a reasonable rate for same. However, applicant submitted a statement of operating expenditures which averaged approximately \$30 per month. This expenditure appears reasonable, but if this entire amount were charged against the few consumers it would result in a prohibitive rate. The consumers who desire the present service continued, knowing these conditions, should be willing to pay a rate that will return to applicant an amount which will in some measure compensate for the operation of the system, and it would seem fair and reasonable that the minimum flat rate for service be increased.

It appears that it is not economically feasible to require applicant to continue the service of water to the present consumers, and under all of the circumstances we would suggest that they proceed at once to provide themselves with another source of water supply, and in the meantime the flat rate for service will be increased to the end that a more adequate return may be realized for the service rendered.

#### ORDER.

Marie Lehrke having made application to the Railroad Commission for authority to discontinue the supplying of water for domestic use, a public hearing having been held, and the Commission being fully apprised in the premises:

It is hereby found as a fact that it would be uneconomical and unreasonable to require applicant to continue the operation of a public utility water system.

And basing its order upon the foregoing finding of fact and upon the other statements of fact contained in the opinion which precedes this order;

*It is hereby ordered*, that Marie Lehrke be, and she is hereby, authorized to discontinue the supplying of water for domestic use, such discontinuance to become and be effective on and after January 1, 1921.

*It is hereby further ordered*, that Marie Lehrke be, and she is hereby, authorized to increase the minimum flat rate for service from \$1 per month to \$1.75 per month from and after April 1, 1920, until service is discontinued as above authorized, all other rates to remain in full force and effect as established in this Commission's Decision No. 4499, issued August 1, 1917.

Dated at San Francisco, California, this thirty-first day of March, 1920.

# SUPPLEMENTAL AND MISCELLANEOUS ORDERS.

62-47416

## SUPPLEMENTAL AND MISCELLANEOUS ORDERS.

Dec. Application No.	Applicant	Action	Date
6194	4292 Mount Tamalpais and Muir Woods Railway.	Petition for rehearing on application to abandon Lee street local service, denied.	July 16, 1919
6197	4715 Peers Water System.	Authorized to abandon water service.	July 16, 1919
6199	4135 East Side Canal and Irrigation Co.	Petition of consumers for rehearing on application to increase rates, denied.	July 16, 1919
6235	4736 Pacific Gas and Electric Co.	Petition for permission to discontinue use of Miocene Pipe Line, granted.	Aug. 12, 1919
6236	4800 Pacific Gas and Electric Co.	Time extended to and including December 31, 1919, in which applicant shall comply with provisions of Chapters 494-500.	Aug. 12, 1919
6237	2469 Pomona Valley Telephone and Telegraph Co.	granted permission to increase passenger rates between Los Angeles and Mount Wilson	Aug. 16, 1919
6239	4720 Webb and Hendricks.	granted permission to issue note in the sum of \$50,000 to renew outstanding notes	Aug. 16, 1919
6241	4829 Napa Valley Electric Co.	Granted permission to transfer water system at Truckee to Matt Green	Aug. 16, 1919
6248	4793 Schaffner Water Works System.	Authorized to transfer water property to W. W. Lee.	Aug. 25, 1919
6611	4846 North Glendale Distributing Co.	Tenth Supplemental Order authorizing sale of 180 shares of common stock to employees of applicant.	Aug. 29, 1919
6638	2713 Southern California Edison Co.	Second Supplemental Order authorizing sale of 5,000 shares of common stock to employees of applicant.	Sept. 5, 1919
6679	1790 Southern California Edison Co.	Approving stipulation	Sept. 5, 1919
6678	3892 Imperial Utilities Co.	Authorized to sell certain nonoperative real property.	Sept. 6, 1919
6684	1839 East Bay Water Co.	Defendant's petition for rehearing denied.	Sept. 15, 1919
6730	C. 126 Pacific Light and Power Corporation vs. City of Pasadena	Approving stipulation as to franchise values.	Sept. 24, 1919
6676	4919 San Fernando Mission Land Co.	Authorized to sell water system to city of Los Angeles.	Oct. 1, 1919
6701	4867 Harry R. Atwood.	Authorized to sell water system to city of San Diego.	Oct. 2, 1919
6716	4878 John T. Gaffney.	Authorized to sell water system to city of Los Angeles.	Oct. 2, 1919
6731	1978 C. W. Sylvester.	Authorized to use \$13,988.37 of the proceeds of bond sales for construction purposes.	Oct. 2, 1919
6761	4372 Coast Valleys Gas and Electric Co.	Supplemental order authorizing the use of \$71,927.98 of proceeds of bond sales for construction purposes.	Oct. 2, 1919
6792	4312 Western States Gas and Electric Co.	Authorized to transfer certain property rights.	Oct. 20, 1919
6778	185 Citizens Water Company of San Jacinto.	Former authorized to transfer a water right to latter named applicant.	Oct. 21, 1919
6781	4776 Sierra and San Francisco Power Co.; Waterford Irrigation District	Transfer of water system authorized.	Oct. 22, 1919
6782	5224 L. P. Delano; W. L. Govan.	Authorized to transfer small water system.	Oct. 22, 1919
6788	5056 Western Realty Co.		Oct. 22, 1919

SUPPLEMENTAL AND MISCELLANEOUS ORDERS.

979

6790	James N. Block et al.	4963	Applicants authorized to transfer a small water distributing system in the city of Stockton.	Oct. 24, 1919
6799	Walter J. Ogden et al.	4941	Granted permission to transfer a small water utility in the county of Los Angeles.	Oct. 27, 1919
6801	Fresno Canal and Land Corporation	2880	Petition of certain consumers for rehearing denied.	Oct. 27, 1919
6802	Watsonville Water and Light Co.	4103	Petition of city of Watsonville for rehearing denied.	Oct. 27, 1919
6806	P. T. Durfy	4657	Applicant granted permission to transfer a small water system in the town of Sherman.	Oct. 27, 1919
6818	Southern California Edison Co.	5082	Applicant granted certificate permitting the construction and operation of hydro-electric generating plant, Kern and Tulare counties.	Oct. 27, 1919
6817	Pacific Telephone and Telegraph Co.	5070	Applicant granted a certificate to exercise franchise rights in the city of Redding.	Nov. 6, 1919
6819	Southern Counties Gas Company of California.	4666	Supplemental order authorizing the use and disposition of proceeds from sale of \$116,540 face value of bonds.	Nov. 6, 1919
6822	White Bus Line	5053	Authorized to issue \$7,413 par value of stock to purchase new equipment.	Nov. 6, 1919
6826	Southern Sierras Power Co.	4737	Supplemental order authorizing the disposition of proceeds of \$180,246.32 face value of bonds.	Nov. 6, 1919
6871	Sacramento Northern Railroad	5025	Applicant authorized to re-route its street car service in the city of Chico.	Nov. 28, 1919
6876	Lake Tahoe Railroad and Transfer Co.	5115	Applicant authorized to renew outstanding notes in the sum of \$20,000.	Nov. 28, 1919
6897	Western States Gas and Electric Co.	4312	Supplemental order authorizing expenditure of proceeds of bond sales for capital purposes.	Dec. 5, 1919
6909	San Diego Electric Railway.	C. 1246	Granted extension of time in which to issue bonds.	Dec. 5, 1919
6925	Roca Land Co.	5154	Applicant authorized to transfer small water system to Marin Municipal Water District.	Dec. 9, 1919
6932	Harris vs. California Vineyards and Improvement Co.	C. 1171	Defendant's petition for rehearing denied.	Dec. 9, 1919
6934	Empire Telephone Co.	5095	Time extended in which to transfer property to Pacific Telephone and Telegraph Co.	Dec. 29, 1919
6936	Pacific Gas and Electric Co.	4704	Time extended in which to issue stock heretofore authorized.	Dec. 29, 1919
7031	Security Warehouse and Cold Storage Co.	5135	Approving stipulation as to security issues affecting a rate base.	Jan. 17, 1920
7036	City of San Francisco vs. Spring Valley Water Co.	C. 842	Permitting defendant to discontinue filing of monthly statements of revenues.	Jan. 31, 1920
7113	Melvin Place Water Plant	5110	Approving form of mortgage.	Feb. 11, 1920
7171	Pearl Robinson et al.	5288	Authorized to transfer interest in telephone system, Shasta County.	Feb. 27, 1920
7172	Lost Hills Telephone and Telegraph Co.	5315	Authorized to discontinue service.	Feb. 27, 1920
7173	Pacific Telephone and Telegraph Co.	5306	Granted certificate authorizing operation in city of Grass Valley.	Feb. 27, 1920
7175	Delano-Linus Valley Telephone Co.	5300	Granted permission to discontinue service.	Feb. 27, 1920
7217	Garden Grove City Water Co.	5268	Granted permission to transfer certain nonoperative property.	Mar. 11, 1920
7267	Grangers Business Association.	5382	Order made approving renewal of wharf franchise.	Mar. 15, 1920
7301	San Diego Consolidated Gas and Electric Co.	4652	Expiration date of surcharge for gas and electric service extended until further order.	Mar. 22, 1920

## AUTO STAGES, TRUCKS, JITNEY BUSES.

Dec. No.	Application No.	Applicant	Nature of application	Action	Date
6478	4112	A. E. G. Bus Line.....	Certificate, Whittier, petition for rehearing.....	Denied	July 3, 1919
6481	4885	Baughman & Lycke.....	Certificate passenger service, Napa to Sacramento Junction.....	Granted	July 3, 1919
6507	4389	Rafael and Sonoma Valley Auto Stage.....	Certificate passenger service, Agua Caliente and San Rafael.....	First supp. order	July 17, 1919
6518	4391	H. M. Tolson.....	Certificate freight service, Torrance to Los Angeles.....	Granted	July 21, 1919
6519	4005	Acme Transfer Co.....	Certificate freight and express, Los Angeles to beach cities.....	Granted	July 21, 1919
6520	4000	Frank J. Barton.....	Certificate freight service, Los Angeles-El Segundo.....	Granted	July 30, 1919
6527	4610	Alexandria Transfer Co.....	Certificate freight service, Los Angeles-El Monte.....	Granted	July 30, 1919
6528	4334	Wagner's Ingewood Express.....	Certificate passenger and freight service, Lemoore-San Luis Obispo.....	Granted	July 30, 1919
6529	4369	Thatcher H. Coffey.....	Certificate freight service, Lincoln-Sacramento.....	Granted	July 30, 1919
6529	4377	William B. Whiteside.....	Certificate freight service, Oakland-Livermore.....	Granted	July 30, 1919
6530	4380	Ralph M. Fowler.....	Certificate passenger service, Sacramento-Redding.....	Denied	Aug. 1, 1919
6531	4674	Barnett-Lynch-Jones.....	Certificate freight service, Los Angeles-San Antonio-Mesa.....	Granted	Aug. 12, 1919
6538	4781	Sacramento-Redding Auto Trans. Co.....	Certificate auto freight service, San Francisco-San Jose.....	Granted	Aug. 12, 1919
6538	4986	Shasta Auto Trans. Co.....	Certificate auto freight service, Sacramento-Marysville.....	Denied	Aug. 12, 1919
6552	4748	San Antonio-Mesa Express.....	Certificate passenger and freight service, Sacramento-Plymouth.....	Granted	Aug. 12, 1919
6553	3679	San Francisco and San Jose Express Co.....	Certificate freight service, Redwood City-Palo Alto.....	Dismissed	Aug. 12, 1919
6559	1543	Dale & McLain.....	Certificate freight service, San Diego-Los Angeles.....	Granted	Aug. 16, 1919
6562	4655	S. C. Clark.....	Certificate auto stage line, Imperial Beach-Coronado.....	Granted	Aug. 20, 1919
6565	3082	Blue Line Stage Co.....	Authorized to issue \$31,502 par value of stock in exchange for stage line properties.....	Granted	Aug. 29, 1919
6568	4754	Charles D. Brynton.....	Certificate auto freight passenger service, Fresno Construction Co. No. 2.....	Granted	Aug. 29, 1919
6603	4882	Henry H. Sadler.....	Certificate auto passenger service, Fresno-San Joaquin.....	Granted	Aug. 29, 1919
6607	4744	White Bus Line.....	Certificate auto passenger service, Vallejo-Vallejo Annex-Bay Terrace.....	Granted	Aug. 29, 1919
6609	4882	Scott, Paddyroast & Ryning.....	To transfer auto freight line, Hopland-Kelseyville.....	Granted	Aug. 29, 1919
6610	4480	D. Moyer.....	Certificate auto passenger service, St. Helena-Chiles Valley.....	Granted	Aug. 29, 1919
6611	4834	Vallejo Bus Co.....	Certificate auto passenger and freight service, Butte City-Chico.....	Granted	Aug. 29, 1919
6612	4872	Kelthly & Huston.....	Certificate auto freight and passenger service, Marysville-Downsville.....	Granted	Aug. 29, 1919
6613	4672	Walter E. Twitchell.....	To transfer stage line operating between San Diego and Escondido.....	Granted	Aug. 29, 1919
6614	4405	H. J. Horst.....			
6615	4822	Pauly Bros.....			
6616	4764	Messenger & McGarvin & Bridgman.....			

6617	1818	E. J. Ashworth	Certificate auto passenger service, Mariposa-Jerseydale	Granted	Aug. 29, 1919
6618	4861	N. A. Webb	Certificate auto passenger service, Pasadena-Switzer's Relay	Granted	Aug. 29, 1919
6619	4757	Talbot & Ainsworth	Certificate auto passenger and freight service, Sacramento-Plymouth	Granted	Aug. 22, 1919
6628	4860	F. A. Wilson	Certificate auto passenger service, San Francisco-Carmel	Denied	Aug. 29, 1919
6629	4658	Murielita Valley Motor Freight Line	Certificate auto freight service, Los Angeles-Temecula	Granted	Aug. 26, 1919
663	1761	Charles C. Tanner	Certificate to operate passenger service between San Francisco and Los Angeles to carry guests of Linard Hotel system only	Granted	Sept. 5, 1919
6631	4859	E. L. Askin	Certificate auto freight service, Lemon Cove-Three Rivers	Granted	Sept. 5, 1919
6661	4771	E. W. Baughman and James Lycke	Certificate auto passenger service, Sacramento-Vallejo-Napa	Granted	Sept. 12, 1919
6662	1918	O. L. Sweet and Jose Figueroa	Certificate auto passenger service, Tracy-Los Banos	Granted	Sept. 12, 1919
6666	4783	Owens Valley T. S. and P. Co.	Certificate to establish auto freight and passenger service, Lone Pine-Bishop	Granted	Sept. 15, 1919
6661	4927	Pelvedere Bus and Auto Service	To transfer permits to operate between Tiburon and Belvedere	Granted	Sept. 15, 1919
6679	4219	Los Angeles-San Pedro Trans. Co.	To operate auto freight service between Los Angeles and Harbor at San Pedro	Granted	Sept. 16, 1919
6672	4997	Chris Hansen	Certificate passenger service, Ben Ali and Sacramento High School	Granted	Oct. 2, 1919
6716	4978	F. M. Dinsmore	Certificate passenger and freight service, Ravensdale-Glide	Granted	Oct. 2, 1919
6717	1975	San Bernardino Mountain Auto Line	Certificate freight and passenger service San Bernardino County	Granted	Oct. 2, 1919
6720	4973	McCrory & Harvey	To transfer certificate stage service, Santa Cruz-Osandero	Granted	Oct. 2, 1919
6722	4567	Oceanside Truck Line	Certificate freight service, Oceanside-San Diego	Granted	Oct. 2, 1919
6724	4772	Pickwick Stages, Inc.	Certificate passenger service, Imperial County	Granted	Oct. 2, 1919
4730	4593	United Stages	Certificate passenger service, Calipatria-Niland	Granted	Oct. 2, 1919
6731	4148	A. B. Bland	Certificate passenger service, El Centro-Holtville	Granted	Oct. 2, 1919
6745	5701	O. N. and E. B. Thomas	To purchase auto stage line, Pomona-San Dimas	Granted	Oct. 3, 1919
6770	4592	United Stages, Inc.	Certificate auto passenger service, Holtville-Calexico	Denied	Oct. 22, 1919
6773	5021	Cascade and Huntington Lake Stage Co. and Huntington Lake Hotel Co.	To transfer auto stage line	Granted	Oct. 22, 1919
6776	5036	L. T. Davies	Certificate auto stage line, Standish-Litchfield	Granted	Oct. 22, 1919
6780	4433	Henry German	Certificate auto stage service, Nevada City-Downieville	Granted	Oct. 2, 1919
6801	4868	J. W. Post, Jr.	Certificate auto stage service, Monterey-Big Sur	Granted	Oct. 28, 1919
6837	4097	Benjamin Toulmi	Certificate auto stage service, San Luis Obispo-San Simeon	Granted	Oct. 28, 1919
610	5060	Walker & Sedgewick	To transfer auto stage line, Sacramento-Yacaville	Granted	Oct. 28, 1919
6830	5485	Henne-Brown-Follensbee	Two first named parties to transfer auto truck line San Diego-El Centro to last named applicant	Granted	Nov. 13, 1919
6831	5788	Beach & Panafio	The former to transfer auto stage line, Sausalito-Santa Rosa to latter	Granted	Nov. 13, 1919
6834	5759	C. Hatamoto	Petition for certificate to operate auto stage line, Byron-Stockton	Granted	Nov. 13, 1919
6837	5113	Baughman & Lycke	Petition to transfer auto stage line to W. A. Gentry	Granted	Nov. 17, 1919
687	4923	Oakland-Newark Auto Stage Line	Petition to establish increased schedule of rates	Granted	Nov. 19, 1919

## AUTO STAGES, TRUCKS, JITNEY BUSES—Continued.

Dec. Application No.	Applicant	Nature of application	Action	Date
6829	B. L. and C. J. Knox	Petition for certificate Salinas King City dislissed on grounds that it is unnecessary as applicants were operating in good faith on May 1, 1917.	Dismissed	Nov. 12, 1919
6830	Western Motor Transport Co.	Petition for permission to issue five shares of stock to qualify directors	Granted	Nov. 26, 1919
6837	Watt L. Moreland	T. discontinue auto stage service between Palo Alto and San Jose	Granted	Nov. 26, 1919
6838	L. A. and Santa Barbara Motor Exp. } L. A. and Santa Paula Daily Exp. }	Petition for certificate to operate auto truck service Santa Paula Santa Barbara and Los Angeles Santa Barbara	Granted	Nov. 28, 1919
6879	Moreland Motor Truck and O. R. Fuller	Former to transfer operative rights to latter	Granted	Nov. 28, 1919
6882	Frank J. Barton and J. L. Zerboni	Former to transfer operative rights to latter	Granted	Nov. 28, 1919
6883	A. C. McVey and W. R. Miles	Former to transfer operative rights to latter	Granted	Nov. 28, 1919
6884	E. Rufus Connelley	Petition for certificate to operate auto stage line Visalia Naranjo	Granted	Nov. 28, 1919
6885	Bay Shore Stage Co.	Petition for certificate to operate auto stage line, Vallejo Napa	Denied	Nov. 28, 1919
6898	R. Roy Whitestone	Petition to operate auto freight service between Los Angeles and Escondido	Granted	Dec. 5, 1919
6899	Los Angeles and San Pedro Trans. Co.	Supplemental order authorizing issuance of 110 additional shares of stock by applicant to correct error in original application	Granted	Dec. 5, 1919
6903	Oakland Vallejo Transit Co.	Petition to operate auto stage line between Richmond and Oakland	Granted	Dec. 5, 1919
6906	Gorham & Littlefield	The former to transfer auto stage line equipment and rights between Salinas City and Monterey to latter.	Granted	Dec. 9, 1919
6907	Los Angeles West Side Trans. Co.	To operate auto freight service between Los Angeles and Kern oil fields.	Granted	Dec. 9, 1919
6918	Western Auto Stage Co.	To transfer stage line Fresno to Bakersfield to Walling & Alexander	Granted	Dec. 9, 1919
6929	Fred Ludwick	To operate auto freight service San Francisco to Martinez	Granted	Dec. 9, 1919
6929	Kramer & Carpenter	The former to transfer stage line and rights between Monterey and Salinas City to latter.	Granted	Dec. 9, 1919
6931	James R. Weld	To operate auto freight service between Caliente and Edison Co. Plant	Granted	Dec. 9, 1919
6932	Noah Spatter	To operate auto passenger service between Los Angeles and Kernville	Granted	Dec. 9, 1919

AUTO STAGES, TRUCKS, JITNEY BUSES.

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6335	4732	Owens & Maier.....	Petition to operate express service between Crockett and Oakland.....	Denied.....	Dec. 11, 1919
6336	4781	Stafford & Stafford.....	Petition to operate auto freight service between Wasco and Bakersfield.....	Denied.....	Dec. 11, 1919
6339	5038	Wood, Boyd, Ingalls and Kitchen.....	To transfer interest in auto stage line Taft to Bakersfield.....	Granted.....	Dec. 11, 1919
6340	5033	J. R. Bechtel.....	Petition to operate auto stage service Kernville to Bakersfield.....	Granted.....	Dec. 11, 1919
6347	5173	Peninsular Rapid Transit Co.....	Petition to extend service to towns of Mountain View and Sunnyvale.....	Granted.....	Dec. 17, 1919
6351	5151	McVey & Allen.....	The former to transfer to the latter auto stage line operating between Fresno and Kingsburg.....	Granted.....	Dec. 17, 1919
6352	5140	Lynch & Palmer.....	The former to transfer to the latter interest in auto stage line operating between Pasadena and Lamanda Park.....	Granted.....	Dec. 17, 1919
6353	5086	Gillen & Collins.....	The latter to sell and the former to purchase the Visalia-Dinuba stage line.....	Granted.....	Dec. 17, 1919
6354	5018	Clyde Storey.....	Petition for certificate to operate auto freight service between Los Angeles and San Pedro.....	Granted.....	Dec. 17, 1919
6361	4633	Geo. D. Stover.....	Applicants petition for certificate to operate auto truck service between Los Angeles and a number of small adjacent towns.....	Granted.....	Dec. 19, 1919
6362	4635	Charles Zucca.....	Certificate auto stage service between Pasadena and Ocean Park.....	Granted.....	Dec. 19, 1919
6364	5019	T. J. Berge.....	Petition for certificate auto stage service Mission San Jose and Irvington.....	Granted.....	Dec. 19, 1919
6366	4712	Fletcher & Tremble.....	Petition for auto truck certificate service between San Bernardino and Los Angeles.....	Granted.....	Dec. 19, 1919
6367	4980	Willis W. Ingraham.....	Certificate to operate auto truck service between Hynes and Los Angeles.....	Granted.....	Dec. 19, 1919
6368	3546	William Azeveda.....	Certificate auto truck service between San Mateo and Half Moon Bay.....	Granted.....	Dec. 19, 1919
6371	4723	Glumm, Marshall & Adams.....	Petition for certificate to operate auto stage line Oakland-Richmond.....	Denied.....	Dec. 19, 1919
6385	5001	Jones & Bram.....	The former to transfer to latter interest in stage line between Santa Cruz and Salinas.....	Granted.....	Dec. 26, 1919
6387	5111	D. W. Stinchfield.....	Certificate to operate auto stage line between Quincy and Meadow Valley.....	Granted.....	Dec. 26, 1919
7001	5214	O. R. Fuller and White Bus Line.....	The former to lease operative rights and equipment to latter.....	Granted.....	Dec. 21, 1919
7004	5231	Mansperger & Morgan.....	The former to transfer to the latter his auto stage line operated between Los Angeles and Westminster.....	Granted.....	Jan. 8, 1920
7005	5217	Price & Benadorn.....	The former to transfer to the latter his auto stage line operated between San Luis Obispo and Paso Robles.....	Granted.....	Jan. 8, 1920
7013	5224	Walter M. Collins.....	Petition to operate passenger service between Visalia and Giant Park.....	Granted.....	Jan. 9, 1920



## AUTO STAGES, TRUCKS, JITNEY BUSES—Continued.

Dec. No.	Application No.	Applicant	Nature of application	Action	Date
7006	5215	Larson & Boyd	The former to transfer auto stage line to latter, Eureka-Areata	Granted	Jan. 9, 1920
7011	5214	Ralph A. Painter and Carl S. Painter	The former to transfer auto stage line to latter	Granted	Jan. 17, 1920
7013	5251	Cregar & Best	The former to transfer auto stage line Riverside-San Jacinto to latter	Granted	Jan. 17, 1920
7044	5252	Bell & Barlow	The former to transfer auto stage line Los Angeles-San Gabriel to latter	Granted	Jan. 17, 1920
7045	5185	Lemmon & Schoener	Petition to operate auto stage line between Sacramento and Knights Landing	Denied	Jan. 17, 1920
7063	4872 ) E. A. Kuykendall ) E. S. Geo. M. Duntley )		Petition for certificate to operate auto freight service between Los Angeles and Bakersfield	Granted	Jan. 27, 1920
7071	4658	H. M. Hunt	For certificate to operate auto passenger service, Ojai-Ventura	Dismissed	Feb. 5, 1920
7073	4781	Joseph G. Schroepler	For certificate to operate passenger service between Tulare and Porterville	Denied	Feb. 5, 1920
7075	4102	Kings River Stage and Transportation Co.	For certificate to operate auto freight service between Fresno and Sanger	Granted	Feb. 5, 1920
7076	4206 ) Fletcher & Cobb ) 4379 Geo. F. Thompson )		For certificate to operate auto passenger service between Fresno and Kernan	Granted	Feb. 5, 1920
7077	4388	E. L. McConnell	For certificate to operate freight line between Paso Robles and San Miguel	Granted	Feb. 5, 1920
7078	4214	J. E. Moore	For certificate to operate freight and passenger service between Lindsay and Hanford	Granted	Feb. 5, 1920
7081	5273	Pickwick Stages, N. D.	Certificate to extend passenger service between Santa Maria and Maricopa	Granted	Feb. 5, 1920
7082	5240	A. R. G. Bus Co. and O. R. Fuller	The former to transfer rights and equipment to the latter.	Granted	Feb. 5, 1920
7083	5217	Carl C. Allen and Fresno-Kingsburg Stage Co.	The former to transfer auto stage line to latter	Granted	Feb. 5, 1920
7084	5280	Chas. Zaccar-Venable and Spencer	The former to transfer auto stage line to latter two	Granted	Feb. 5, 1920
7085	5285	Golden State Auto Tours Corp. and G. & W. Stage Co.	The former to transfer certain of its rights and equipment to latter	Granted	Feb. 5, 1920
7088	5233	El Dorado Stage Co. and White Bus Line	The former to lease certain of its operative rights and equipment to latter company	Granted	Feb. 5, 1920
7089	5311	Western Auto Stage Co. and Kern County Trans. Co.	The former to transfer rights to Taft-Bakersfield line to latter company	Granted	Feb. 5, 1920

7090	5249	Chas. N. Wheeler and John Schafer.	The former to transfer operative rights, Red Bluff-Gerber, to latter.	Granted	Feb. 5, 1920
7091	4349	Kings River Stage and Transportation Co.	For certificate to operate passenger service between Fresno and Sanger.	Granted	Feb. 5, 1920
7092	4531	B. P. McConaha.	For certificate to operate passenger and freight service between Requa and Crescent City.	Granted	Feb. 5, 1920
7109	5223	Leonard G. Brotzman.	For certificate to operate freight service between Sacramento and Vallejo.	Granted	Feb. 11, 1920
7116	5067	Maurer & Sanford.	For certificate to operate passenger service between Oakland and San Jose.	Denied	Feb. 11, 1920
7119	4870	Gimliniani & Gross.	The former to transfer interest to latter in stage line.	Granted	Feb. 11, 1920
7124	5339	C. F. Iverson.	For certificate to operate passenger and freight service between Paso Robles and Annette.	Granted	Feb. 13, 1920
7125	5291	H. A. Webb.	For certificate to operate auto passenger service between Santa Maria and Orcutt.	Granted	Feb. 13, 1920
7133	5324	C. T. Mayo et al. and Los Angeles and Santa Barbara Motor Express.	The former to transfer operative rights and equipment to latter.	Granted	Feb. 13, 1920
7142	4614	E. L. McConnel.	For certificate to extend freight service between Santa Maria and Guadalupe.	Denied	Feb. 13, 1920
7143	5342	Ogden & Watson.	The former to transfer auto stage rights and equipment to latter.	Granted	Feb. 13, 1920
7147	4705	J. W. Young.	To operate auto stage service, Chico-Willits.	Granted	Feb. 13, 1920
7148	5206	Service Corporation.	To operate auto freight service between Bakersfield and Los Angeles.	Granted	Feb. 20, 1920
7149	5358	Kern County Transportation Co.	To operate auto passenger service between Bakersfield and Maricopa.	Denied	Feb. 20, 1920
7159	5160	Motor Transport Co.	To operate auto freight service between Los Angeles-Fresno.	Denied	Feb. 20, 1920
7162	4410	Pioneer Livery and Lumber Co.	To operate auto freight service between Laws and Bishop.	Granted	Feb. 20, 1920
7154	4922	Louis E. Smith.	To operate auto stage line between Placerville and Caldor Mills.	Granted	Feb. 20, 1920
7156	5225	J. C. Walling and J. E. Moore.	The former to purchase auto stage line of latter operated between Fresno and Porterville.	Granted	Feb. 20, 1920
7157	5348	Golden State Auto Tours Corporation and White Bus Line.	The former to transfer auto stage line to latter.	Granted	Feb. 20, 1920
7178	4502	A. A. Crabb.	Application for certificate to operate passenger service between Lemoore and Fresno.	Granted	Feb. 27, 1920
7179	4632	Judy & Elliott.	Application for certificate to operate passenger and express service between Sacramento and Winters.	Granted	Feb. 27, 1920
7189	5225	Clark & Fish.	The former to purchase interest of latter in Bay Shore stage line.	Granted	Feb. 27, 1920
7197	3625	Phil Dicke.	To operate auto truck service between Santa Rosa and Healdsburg.	Granted	Feb. 27, 1920

## CALIFORNIA RAILROAD COMMISSION DECISIONS.

## AUTO STAGES, TRUCKS, JITNEY BUSES—Continued.

Dec. No.	Application No.	Applicant	Nature of application	Action	Date
7203	3358	James McCullough	To operate auto freight and passenger service between Plymouth and Auburn.	Granted	Mar. 2, 1920
7205	3463	W. H. Goforth	To operate auto passenger and freight service between Dos Rios and Covelo.	Granted	Mar. 2, 1920
7207	3662	C. A. and C. C. Schlager	To operate passenger and express service between Merced and Mariposa.	Granted	Mar. 2, 1920
7208	4430	Redding-Weaverville Stage Co.	To operate passenger and freight service between French Gulch and Carville.	Granted	Mar. 2, 1920
7211	4487	Knox Brothers	To operate passenger service between King City and Paso Robles.	Granted	Mar. 2, 1920
7212	5401	Wieblitz & Hardie	The former to transfer auto stage operated between Los Angeles and Glendale to latter.	Denied	Mar. 4, 1920
7221	637	Manuel P. Martin	Certificate for milk freight service San Jose to San Francisco.	Granted	Mar. 4, 1920
7222	4043	J. M. Parish	Certificate auto freight service between Fresno and Cutler.	Granted	Mar. 8, 1920
7223	3810	Charles L. Jackson	Certificate auto passenger service between Elk Grove and Sacramento.	Granted	Mar. 8, 1920
7224	7351	Stocks & Fowler	To transfer auto stage line operated between Los Angeles and Cypress.	Denied	Mar. 8, 1920
7225	3841	Eddie Webb	For certificate passenger and freight service Varian and Coulterville.	Granted	Mar. 8, 1920
7226	3886	Dubourdiem & Hunt	For certificate auto passenger and freight service between Sierra City and Downville.	Granted	Mar. 8, 1920
7298	4639	Morris & Larson	For certificate auto passenger service between Merced-Los Banos and Hollister-Gilroy.	Granted	Mar. 8, 1920
7240	4624	Moreno & Valdez	For certificate freight service between Fortola and Walker's Mine.	Denied*	Mar. 11, 1920
7241	4797	W. S. Carter	For certificate auto freight service between Eureka and Garberville.	Granted	Mar. 11, 1920
7242	4917	Nwett & Figueroa	For certificate freight service between Eureka and Ferndale.	Granted	Mar. 11, 1920
7243	3716	M. M. Olson	The former to transfer stage line Los Angeles-Downey to latter.	Granted	Mar. 11, 1920
7244	4697	W. Maxwell	For certificate auto passenger service between Lakeport-Bartlett Springs.	Granted	Mar. 11, 1920
7245	4636	Harry Anderson	For certificate auto freight service between Hopland and Big Valley.	Granted	Mar. 11, 1920
7246	5873	Rutherford and Varro	For certificate auto stage line Los Banos-Dos Palos.	Granted	Mar. 11, 1920
7247	3783	J. C. Reynolds			
7248	5084	J. H. Barnes			
7249	4956	Allen & Moyer			

\*Except Application No. 4699, granted.

7276	4290	United Stage Co. and Stuart & Douglass.	The former to transfer stage line Placerville Sacramento to latter	Granted	Mar. 11, 1920
7275	4360	William Nieman	For certificate to operate auto stage between Gardena and Los Angeles	Granted	Mar. 12, 1920
7275	4375	A. J. Richardson	For certificate auto stage service between Los Angeles and Suislaw	Granted	Mar. 12, 1920
7279	4688	Carr & Boyce	For certificate auto stage service between Redlands and Banning	Granted	Mar. 12, 1920
7281	4476	A. S. Longacre	For certificate auto stage line between Clovis and Fresno	Granted	Mar. 12, 1920
7279	4687	B. Hoyle	For certificate auto stage service between Los Banos and Merced	Granted	Mar. 12, 1920
7271	5189	O. L. Swett	For certificate auto stage service between Oakland Stockton and Fresno	Granted	Mar. 15, 1920
7275	5197	Martinez Bay Point Stage Line	For certificate to operate auto stage line between Martinez and Bay Point	Denied	Mar. 15, 1920
7280	5429	Green & Phillips and O. R. Fuller	The former to transfer San Bernardino Mountain Auto line to latter	Granted	Mar. 17, 1920
7281	5188	J. P. Cackler and Hamilton & Demick	The former to transfer stage line Fresno The Pines to the latter	Granted	Mar. 18, 1920
7283	5415	White Line Stage Co. and Joseph James	The former to transfer stage line Elshore Riverside to latter	Granted	Mar. 18, 1920
7281	5362	Bell & Canfield and K. H. Rudolph	The former to sell auto stage line Lompoc Santa Maria to latter	Granted	Mar. 18, 1920
7285	5552	Compton & McReynolds and Compton Transportation Co.	The former to sell auto stage line Long Beach Huntington Park to latter	Granted	Mar. 18, 1920
7280	5117	O. R. Fuller and White Bus Line	The former to lease operative rights to latter	Granted	Mar. 21, 1920
7280	5440	White Bus Line	Certificate auto stage line between Riverside and Agricultural Station	Granted	Mar. 22, 1920
7291	5362	Pickwick Stages	Certificate auto stage line between Julian and Brawley	Granted	Mar. 22, 1920
7283	5408	Wm. F. Orr and G. A. Soeten	The former to transfer auto stage line to the latter, Pasadena-Lamanda Park	Granted	Mar. 22, 1920
7294	3984	Tilbotts & Hand	To operate passenger and freight service between Caliente and Kernville	Granted	Mar. 22, 1920
7295	5216	Geo. C. Reinhart	To operate passenger and freight service between Alder Point and Harris and Houghlin	Granted	Mar. 22, 1920
7286	1112	Thomas B. Riley	To operate passenger service between Enreka and Arcata	Granted	Mar. 22, 1920
7297	4348	A. B. Watson	To operate passenger service between Long Beach and Pohnona	Granted	Mar. 22, 1920
7294	5116	Claude Sears	To operate freight service between Winters and Sacramento	Granted	Mar. 22, 1920
7300	3270	F. A. Hodges	To operate freight service between San Juan and San Jose	Granted	Mar. 22, 1920
7301	5281	O. L. Swett	To operate passenger service between Tracy and Martinez	Denied	Mar. 23, 1920
7286	5463	Fred D. Pearce	To operate freight service between Los Angeles and Banning	Granted	Mar. 23, 1920
7307	5190	O. L. Swett	To operate freight service between Oakland and Fresno	Denied	Mar. 23, 1920
7309	5347	Bay Shore Stage Co.	To operate freight service between Oakland and Vallejo	Granted	Mar. 23, 1920

**AUTO STAGES, TRUCKS, JITNEY BUSES—Continued.**

Dec. Application No.	Applicant	Nature of application	Action	Date
7316	Merced and Mariposa Auto Co.	To discontinue service between Merced and Mariposa.	Granted	Mar. 30, 1920
7324	George B. Long.	To operate passenger stage service between Susanville and Doyle.	Granted	Mar. 30, 1920
7325	Cuckler & Thompson and Teaford & Robb	The former to transfer to latter stage line Fresno-The Pines.	Granted	Mar. 30, 1920
7336	Geo. Shune	To operate passenger service between Napa and Atlas.	Granted	Mar. 30, 1920
7377	C. E. Sansome	To operate stage service between Taft and Elk Hills.	Granted	Mar. 30, 1920
7378	Rieho and Fletcher & Tremble	The former to transfer to latter truck line Los Angeles-Santa Monica.	Granted	Mar. 30, 1920

## DISMISSALS (CASES).

Dec. No.	Case No.	Date of dismissal	Litigants
6471	978	July 2, 1919	Southern Sierras Power Co. et al. vs. Pacific Light and Power Corporation.
6476	1094 1095 1096 1109	July 3, 1919	Pacific Electro Metals Co. vs. Great Western Power Co. et al., re rates Pacific Gas and Electric Co. et al. (Commission's own initiative.)
6486	1329	July 10, 1919	Temescal Rock Co. vs. San Diego and Arizona Railway Co.
6486	1310	July 16, 1919	Island Transportation Co. et al. vs. Fletcher-Wheeler Transportation Co.
6498	1260	July 16, 1919	J. F. Paulk et al. vs. Mokelumne River Power and Water Co.
6536	1229	July 30, 1919	J. O. Davis vs. Pacific Telephone and Telegraph Co. et al.
6554	1107	Aug. 12, 1919	El Dorado County Water Users' Association vs. Western States Gas and Electric Co.
6579	1333	Aug. 16, 1919	Charles Ogden vs. Butte Valley Telephone Co.
6585	1335	Aug. 16, 1919	Geo. M. Clark vs. Shelley Inch et al.
6604	1344	Aug. 29, 1919	Blaine Otis vs. Southern California Edison Co.
6641	1319	Sept. 5, 1919	E. O. Lindbloom vs. Round Valley Water Co.
6670	1371	Sept. 15, 1919	F. W. Atkin et al. vs. Pacific Telephone and Telegraph Co.
6677	993	Sept. 15, 1919	Mountain Power Co. vs. Hobbs-Wall & Co.
6704	1298	Oct. 2, 1919	D. W. Horst vs. Consumers Gas System.
6738	1219	Oct. 2, 1919	Salinas Valley Ice Co. vs. Southern Pacific Co.
6739	1184	Oct. 2, 1919	Navarro Lumber Co. vs. Northwestern Pacific Railroad Co.
6740	1156	Oct. 2, 1919	Stockton Chamber of Commerce vs. Southern Pacific Co. et al.
6741	1165	Oct. 2, 1919	Holton Interurban Railroad Co. vs. Southern Pacific Co.
6742	1221	Oct. 2, 1919	Globe Oil Mills vs. California Southern Railroad Co. et al.
6743	1149	Oct. 2, 1919	South San Francisco Chamber of Commerce vs. Southern Pacific Co.
6779	1309	Oct. 22, 1919	Town of Corte Madera vs. Corte Madera Water Co.
6784	1367	Oct. 22, 1919	Weyl-Zuckerman Co. et al. vs. California Nav. and Imp. Co.
6787	1368	Oct. 22, 1919	County of Lake vs. Yolo Water and Power Co.
6816	1058	Nov. 6, 1919	Navarro Lumber Co. vs. Northwestern Pacific Railway.
6897	417, 475	Nov. 28, 1919	San Francisco Chamber of Commerce vs. Southern Pacific Co., re lumber rates, Atchison, Topeka and Santa Fe Ry. Co.
6898	937	Nov. 28, 1919	City of San Luis Obispo vs. Midland Counties P. S. Corp.
6937	1356	Dec. 11, 1919	W. B. Love et al. vs. John T. Gaffey.
6970	1360	Dec. 19, 1919	Long Beach vs. Union Home Telephone and Telegraph Co.
7039	1392	Jan. 17, 1920	O. H. Leggett vs. Southern Pacific Co.
7040	1328	Jan. 17, 1920	John H. Sutcliffe vs. Pacific Telephone and Telegraph Co.
7065	1383	Jan. 31, 1920	H. L. McConnell vs. Maclay Rancho Water Co.
7096	1350	Feb. 5, 1920	Hayward Chamber of Commerce vs. De Luxe Transport'n Co.
7129	1413	Feb. 13, 1920	Olinger & Yocum vs. Pacific Telephone and Telegraph Co.
7131	1385	Feb. 13, 1920	D. S. Swan et al. vs. Pacific Electric Ry. Co.
7150	1363	Feb. 20, 1920	Bishop Chamber of Commerce vs. Southern Pacific Co.
7176	958	Feb. 27, 1920	J. T. Gordon et al. vs. Covina Irrigation Co.
7228	1415	Mar. 8, 1920	City of Venice vs. Southern Counties Gas Co.
7232	1423	Mar. 9, 1920	Tenants' Protective Association vs. El Forrest Apartments et al.
7313	1381	Mar. 24, 1920	John M. Gardiner vs. Southern California Gas Co. et al.
7318	1379	Mar. 30, 1920	Wm. S. Shoemaker et al. vs. Maclay Rancho Water Co.

## DISMISSALS (APPLICATIONS).

Dec. No.	Applica- tion No.	Applicant	Nature of application	Date of dismissal
6173	4347	Keeler-Darwin Telephone Line..	To revise telephone rates.....	July 2, 1919
6501	4656	W. & W. J. Ogden.....	To increase water rates.....	July 16, 1919
6505	1585	North Fork Ditch Co.....	To execute mortgage and issue note.....	July 17, 1919
6116	4762	Chas. F. Ruggles.....	To construct grade crossing.....	July 18, 1919
6561	4218	Manteca Tel. and Tel. Co.....	To increase telephone rates.....	Aug. 12, 1919
6163	4755	Town of Mayfield.....	For valuation electric distribut- ing system.....	Aug. 12, 1919
6564	4219	Santa Barbara Tel. Co.....	To increase rates.....	Aug. 12, 1919
6567	4567	Pomona Valley Tel. & Tel. Union	To increase telephone rates.....	Aug. 12, 1919
6568	4113	California Stage Line.....	To issue stock.....	Aug. 12, 1919
6574	3715	Butte Valley Mutual Tel. Assn., Macedoel Tel. Co.....	To transfer telephone property.....	Aug. 16, 1919
6580	4089	Reedley Tel. Co.....	To increase rates.....	Aug. 16, 1919
6586	4371	Shelley Inch.....	To increase telephone rates.....	Aug. 16, 1919
6598	4106	Smeltzer Home Tel. & Tel. Co....	To increase telephone rates.....	Aug. 20, 1919
6599	4162	Dos Palos Telephone Co.....	To increase telephone rates.....	Aug. 20, 1919
6600	4582	Whittier Home Tel. & Tel. Co....	To increase telephone rates.....	Aug. 20, 1919
6601	4591	Downey Home Tel. & Tel. Co....	To increase telephone rates.....	Aug. 20, 1919
6602	4574	San Fernando Tel. & Tel. Co....	To increase telephone rates.....	Aug. 20, 1919
6603	4540	Katherine C. Henderson.....	To increase electric rates.....	Aug. 20, 1919
6605	4528	San Jose Railroads.....	To abandon street railway track age.....	Aug. 20, 1919
6637	4492	Interstate Telegraph Co.....	To increase telegraph rates.....	Sept. 5, 1919
6640	4210	Interstate Telegraph Co.....	To revise rates.....	Sept. 5, 1919
6640	4200	J. S. Moulton Estate.....	To sell telephone exchange at Ripon.....	Sept. 5, 1919
6642	4516	Interstate Telegraph Co.....	To effect changes in service.....	Sept. 5, 1919
6644	4144	H. E. Bigelow Telephone Co.....	To change hours of service.....	Sept. 5, 1919
6645	4230	Santa Barbara Telephone Co....	Certificate city of Lompoc.....	Sept. 5, 1919
6646	4316	Santa Barbara Telephone Co....	To increase rates.....	Sept. 5, 1919
6647	4215	Santa Barbara Telephone Co....	Certificate city of Santa Maria..	Sept. 5, 1919
6648	4214	Santa Barbara Telephone Co....	Certificate county of Sta. Barb..	Sept. 5, 1919
6649	4393	Western Union Telegraph Co....	To discontinue service Sebastopol	Sept. 5, 1919
6650	4683	Charles A. Lorain.....	To withdraw certain telephone rates.....	Sept. 5, 1919
6652	4746	Farmers Warehouse Co.....	To increase storage rates.....	Sept. 5, 1919
6660	4816	Southern California Gas Co.....	Certificate franchise rights, Los Angeles County.....	Sept. 11, 1919
6671	4324	Kern Mutual Telephone Co.....	To increase telephone rates.....	Sept. 15, 1919
6672	4519	Raymond Telephone Co.....	To discontinue certain service.....	Sept. 15, 1919
6673	4484	Los Gatos Telephone Co.....	To increase telephone rates.....	Sept. 15, 1919
6674	4131	Union Home Tel. & Tel. Corp....	To increase telephone rates.....	Sept. 15, 1919
6675	4558	Honey Lake Valley Mutual Tel. Assn.....	To increase telephone rates.....	Sept. 15, 1919
6676	4295	United States Long Distance Tel. & Tel. Co.....	To increase telephone rates.....	Sept. 15, 1919
6678	4596	United Stages.....	Certificate Imperial County.....	Sept. 15, 1919
6693	4762	Southern California Edison Co..	Employees compensation.....	Oct. 2, 1919
6699	4133	Union Home Tel. & Tel. Corp....	To increase telephone rates.....	Oct. 2, 1919
6704	4283	Sierra Madre Tel. & Tel. Co....	To increase telephone rates.....	Oct. 2, 1919
6711	1294	Empire Tel. & Tel. Co., Pacific Tel. & Tel. Co.....	The former to sell, the latter to purchase telephone property....	Oct. 2, 1919
6713	4824	L. A., S. P. and S. B. Rural Motor Express.....	Certificate freight service.....	Oct. 2, 1919
6714	4553	Pacific Tel. & Tel. Co. et al.....	To increase telephone rates.....	Oct. 2, 1919
6715	4275	Pacific Tel. & Tel. Co. et al.....	To approve changes in rate sheet	Oct. 2, 1919
6718	4339	Plaza Stages.....	Certificate auto stage service.....	Oct. 2, 1919
6719	3783	Frank J. Sweeny.....	Certificate freight service.....	Oct. 2, 1919
6721	4412	California Stage Line.....	Certificate auto stage service.....	Oct. 2, 1919
6732	2109	Pacific Tel. & Tel. Co.....	Extension of time, line reconst'n	Oct. 2, 1919
6750	4440	Santa Barbara Gas and Elec. Co. and Southern Counties G. Co.	To transfer gas properties.....	Oct. 3, 1919
6754	4857	Oakland, Antioch & East. Ry.	To issue notes.....	Oct. 11, 1919
6763	4632	Scott and More.....	To transfer auto stage line.....	Oct. 21, 1919
6769	4184	George H. Peck.....	To increase water rates.....	Oct. 22, 1919

## DISMISSALS (APPLICATIONS)—Continued.

Dec. No.	Appl-ication No.	Applicant	Nature of application	Date of dismissal
6775	4603	John T. Gaffey.....	To increase water rates.....	Oct. 22, 1919
6777	4886	Sierra and San Francisco Power Co. ....	To increase water rates.....	Oct. 22, 1919
6779	4401	Corte Madera Water Company..	Petition for rehearing dismissed.	Oct. 22, 1919
6785	4585	Delano-Linns Valley Tel. Co.....	To discontinue service.....	Oct. 22, 1919
6786	4853	E. W. Hoogs.....	Certificate auto stage line.....	Oct. 22, 1919
6800	4923	Excelsior Water & Mining Co.....	To increase water rates.....	Oct. 27, 1919
6811	4823	L. B. Long & city of San Diego	To transfer water plant.....	Oct. 27, 1919
6812	4123	Claude E. McIntyre.....	To operate auto stage service.....	Nov. 6, 1919
6813	4755	F. M. Littlefield.....	To operate auto stage, Monterey-Salinas city .....	Nov. 6, 1919
6814	5070	P. Valdano .....	To operate auto stage, Oakland-San Jose .....	Nov. 6, 1919
6821	4616	William E. Gillen.....	To operate auto stage, Visalia-Dinuba .....	Nov. 6, 1919
6824	4756	G. R. Carpenter.....	To operate auto stage, Monterey-Salinas City .....	Nov. 6, 1919
6825	4658	J. H. Owen.....	To operate auto stage.....	Nov. 6, 1919
6829	3270	A. R. G. Bus Co.....	To operate auto stage service.....	Nov. 13, 1919
6835	3117	Spenoza & Faber.....	To operate auto stage service.....	Nov. 13, 1919
6840	3513	F. M. Brickley.....	To operate auto stage service.....	Nov. 28, 1919
6840	4876	Refrigerator Transportation Co.	To operate auto truck service.....	Nov. 28, 1919
6841	3492	Fremont Auto Transit Co.....	To operate auto stage service.....	Nov. 28, 1919
6842	4842	Raymond & Cummins.....	To operate auto truck service.....	Nov. 28, 1919
6843	7033	Fred D. Pearce.....	To operate auto truck service.....	Nov. 28, 1919
6844	4906	Interstate Telegraph Co.....	To increase telephone rates.....	Nov. 28, 1919
6845	3433	H. H. Schnakenberg.....	To operate auto truck service.....	Nov. 28, 1919
6847	4903	Woods & Puteh.....	To operate auto truck service.....	Dec. 5, 1919
6849	5012	E. J. Miner.....	To operate auto truck service.....	Dec. 5, 1919
6849	4005	H. Large.....	To operate auto truck service.....	Dec. 5, 1919
6848	2700	Santa Barbara Telephone Co.....	Extension of time, line constr'n.	Dec. 9, 1919
6849	4472	Huntington Beach Co.....	To transfer telephone system.....	Dec. 9, 1919
6845	4501	Charters Auto Stage Line.....	To operate auto stage line, Yolo County .....	Dec. 17, 1919
6956	4501	Charters Auto Stage Line.....	To operate auto stage line, Yolo County .....	Dec. 17, 1919
6957	5161	A. E. Stamps.....	To operate auto truck service.....	Dec. 17, 1919
6958	5310	Santa Fe Express and Drayage Co. et al.....	To increase rates .....	Dec. 17, 1919
6981	4821	H. Clay Needham.....	To sell water system.....	Dec. 26, 1919
6982	4768	A. E. Otto.....	To operate auto stage service.....	Dec. 26, 1919
6986	5058	Imperial Utilities Corp.....	To issue bonds .....	Dec. 26, 1919
6991	4280	City of Berkeley.....	For valuation street railway system .....	Dec. 27, 1919
6995	5126	Geo. F. Cokley.....	Certificate, irrigation system.....	Dec. 29, 1919
7010	5170	L. G. Brotzman.....	To operate auto stage line.....	Jan. 8, 1920
7012	4522	Midland Counties P. S. Corp.....	To transfer property .....	Jan. 17, 1920
7054	5167,	Consolidated Truck Co.....	To operate auto truck line.....	Jan. 26, 1920
7056	3513	West San Joaquin Valley Water Co. ....	To increase water rates.....	Jan. 26, 1920
7059	4797	John J. Silva.....	To operate stage service.....	Jan. 26, 1920
7060	4223	E. C. Brown.....	To operate stage service.....	Jan. 26, 1920
7065	4717	Charles N. Wheeler.....	To operate stage service.....	Feb. 5, 1920
7097	3771	Grace E. Gray.....	To operate stage service.....	Feb. 5, 1920
7144	4302	J. W. Northedge.....	For certificate electric service.....	Feb. 13, 1920
7148	3548	A. Andrews.....	To operate stage service.....	Feb. 20, 1920
7174	4766	Compton Transportation Co.....	To operate stage service.....	Feb. 27, 1920
7177	5239	Venice Bus Line.....	To operate stage service.....	Feb. 27, 1920
7180	4654	R. A. McMinn.....	To operate passenger and freight service .....	Feb. 27, 1920
7181	3527	B. E. Savage.....	To operate stage service.....	Feb. 27, 1920
7183	4776	A. R. G. Bus Co.....	To operate stage service.....	Feb. 27, 1920
7186	3833	J. W. Walker.....	To operate stage service.....	Feb. 27, 1920
7187	3572	C. M. Robertson.....	To operate stage service.....	Feb. 27, 1920
7188	4288	George McCrory.....	To operate stage service.....	Feb. 27, 1920
7190	4807	Compton Transportation Co.....	To operate stage service.....	Feb. 27, 1920



## CALIFORNIA RAILROAD COMMISSION DECISIONS.

## DISMISSALS (APPLICATIONS)—Continued.

Dec. No.	Appli- cation No.	Applicant	Nature of application	Date of dismissal
7204	4708	E. W. Hamlett.....	To operate stage service.....	Mar. 2, 1920
7227	5207	Lawrence & Haak & Smith.....	To transfer stage line.....	Mar. 8, 1920
7230	5349	Baker-Bear Valley Stage Line.....	To operate stage service.....	Mar. 8, 1920
7241	4773	Liberty Bus Line.....	To operate stage service.....	Mar. 11, 1920
7251	3467	Louis Laine.....	To operate stage service.....	Mar. 11, 1920
7276	3195	Rollin H. Meyers.....	To operate stage service.....	Mar. 12, 1920
7257	4390	Lewis C. Buck.....	To operate stage service.....	Mar. 12, 1920
7258	5877	Macdonald & Cuddlebeck.....	To operate stage service.....	Mar. 12, 1920
7272	4452	Richardson & Bunnell.....	To operate stage service.....	Mar. 12, 1920
7263	3 51	Charles P. Rudling.....	To operate stage service.....	Mar. 12, 1920
7264	3787	C. W. Tindall.....	To operate stage service.....	Mar. 12, 1920
7265	4583	Davis & Stanfield.....	To operate stage service.....	Mar. 12, 1920
7282	4284	Wilson & Hansen.....	To operate stage service.....	Mar. 12, 1920
7286	3681	R. Z. Jenkins.....	To operate stage service.....	Mar. 18, 1920
7287	3784	Joseph Leonard.....	To operate stage service.....	Mar. 22, 1920
7288	4632	R. A. Greenwade.....	To operate stage service.....	Mar. 22, 1920
7292	4676	A. R. G. Bus Co.....	To operate stage service.....	Mar. 22, 1920
7302	3739	Ben Carlson.....	To operate stage service.....	Mar. 22, 1920
7314	4385	James A. Gray.....	To operate stage service.....	Mar. 22, 1920
7319	5221	Sam Pulver.....	To operate stage service.....	Mar. 27, 1920
7320	4205	H. A. Anderson.....	To operate stage service.....	Mar. 30, 1920
7321	4815	Hayward & Wright.....	To operate stage service.....	Mar. 30, 1920
7324	5077	William Z. Preston.....	To operate stage service.....	Mar. 30, 1920
7329	5405	William J. Graham.....	To operate stage service.....	Mar. 30, 1920

## GRADE CROSSINGS, TRACK ABANDONMENTS, SPUR TRACKS.

No. Application	No. Petition	Applicant	Location	Action	Date
6472	465	Sacramento Northern Railroad.....	Marysville .....	1	July 2, 1919
6474	4702	Southern Pacific Railroad.....	Burbank .....	2	July 2, 1919
6477	439	San Bernardino County.....	Newberry .....	Granted	July 3, 1919
6487	4653	Southern Pacific Railroad.....	Shorb .....	3	July 10, 1919
6488	4716	Southern Pacific Railroad.....	Lodi .....	Granted	July 10, 1919
6506	4730	San Francisco-Oakland Terminal Railways .....	Oakland .....	Granted	July 17, 1919
6514	4731	Amador Central Railroad Co.....	Jackson .....	Granted	July 18, 1919
6515	4689	Southern Pacific Railroad.....	Kingsburg .....	Granted	July 18, 1919
6521	4732	Sacramento Northern Railroad.....	Yolo County .....	Granted	July 24, 1919
6524	4709	San Diego and Arizona Ry. Co.....	El Cajon .....	Granted	July 24, 1919
6525	4763	Santa Barbara County.....	Harris .....	Granted	July 29, 1919
6540	4273	Clyde Co. and Contra Costa Co.....	Clyde .....	*	Aug. 1, 1919
6557	4805	San Francisco-Oakland Terminal Railways .....	Oakland .....	4	Aug. 12, 1919
6558	4772	Sacramento Northern Railroad.....	Woodland .....	Granted	Aug. 12, 1919
6559	4804	San Francisco-Oakland Terminal Railways .....	Oakland .....	5	Aug. 12, 1919
6566	4758	Pacific Electric Ry. Co.....	Long Beach .....	6	Aug. 12, 1919
6581	4835	Atchison, Topeka & Santa Fe Ry.	Los Angeles .....	Granted	Aug. 16, 1919
6583	4874	Southern Pacific Co.....	Elmhurst .....	Granted	Aug. 16, 1919
6584	4825	Southern Pacific Co.....	San Francisco .....	Granted	Aug. 16, 1919
6621	4732	Oakland, Antioch & Eastern Ry....	Bay Point .....	Granted	Aug. 24, 1919
6621	4836	Southern Pacific Co.....	Campbell .....	Granted	Aug. 29, 1919
6622	4884	Southern Pacific Co.....	San Leandro .....	Granted	Aug. 29, 1919
6623	4873	Southern Pacific Railroad.....	San Jose .....	Granted	Aug. 29, 1919
6627	4874	Southern Pacific Co.....	Oxnard .....	Granted	Aug. 29, 1919
6633	4901	Oakland, Antioch & Eastern Ry....	Baneroft .....	Granted	Sept. 5, 1919
6674	4912	Peninsular Railway Co.....	Santa Clara County.	Granted	Sept. 5, 1919
6663	4903	Oakland, Antioch & Eastern Ry....	Oakland .....	Granted	Sept. 13, 1919
6667	4705	Pacific Electric Railway Co.....	Los Angeles .....	Granted	Sept. 15, 1919
6687	4732	State of California.....	Nevada County .....	Granted	Sept. 20, 1919
6694	4729	San Diego & Arizona Ry. Co.....	San Diego .....	Granted	Oct. 2, 1919
6696	4777	Southern Pacific Co.....	Stockton .....	Granted	Oct. 2, 1919
6698	4771	Southern Pacific Co.....	Rivas .....	Granted	Oct. 2, 1919
6703	4756	Atchison, Topeka & Santa Fe.....	Redley .....	Granted	Oct. 2, 1919
6707	4757	Atchison, Topeka & Santa Fe.....	Los Angeles .....	Granted	Oct. 2, 1919
6708	4947	Minkler Southern Railway.....	Porterville .....	Granted	Oct. 2, 1919
6709	4932	Pacific Electric Railway.....	San Pedro .....	Granted	Oct. 2, 1919
6710	4957	Southern Pacific Co.....	Valbrick .....	Granted	Oct. 2, 1919
6731	5026	Southern Pacific Co.....	Oakland .....	Granted	Oct. 4, 1919
6771	4946	Atchison, Topeka & Santa Fe Ry.	Pinole .....	7	Oct. 22, 1919
6774	4983	County of San Joaquin.....	San Joaquin .....	Granted	Oct. 22, 1919
6783	5022	Southern Pacific Co.....	Oakland .....	Granted	Oct. 22, 1919
6815	5070	Atchison, Topeka & Santa Fe Ry.	Emeryville .....	Granted	Nov. 6, 1919
6818	5018	Atchison, Topeka & Santa Fe Ry.	San Diego .....	Granted	Nov. 6, 1919
6820	4994	County of Colusa.....	Colusa County .....	Granted	Nov. 6, 1919
6823	4972	County of San Joaquin.....	San Joaquin County.	Denied	Nov. 6, 1919
6828	4845	County of Glenn.....	Orland .....	Granted	Nov. 13, 1919
6832	5040	Peninsular Railway Co.....	San Jose .....	Granted	Nov. 13, 1919
6833	5009	Atchison, Topeka & Santa Fe Ry.	Santa Ana .....	Granted	Nov. 13, 1919
6838	4579	County of Fresno.....	Fresno County .....	Denied	Nov. 18, 1919
6840	4965	County of Tulare.....	Waukena .....	Granted	Nov. 18, 1919
6840	4778	County of Fresno.....	Caruthers .....	Granted	Nov. 18, 1919

\* Permission to discontinue street railway service denied; permission to discontinue interlocking plant granted.

<sup>1</sup>To discontinue street railway service.

<sup>2</sup>Approving interlocking plant plans.

<sup>3</sup>Granted permission to discontinue interlocking plant.

<sup>4</sup>Granted permission to abandon certain street railway trackage.

<sup>5</sup>Granted permission to abandon certain street railway trackage.

<sup>6</sup>Granted permission to abandon spur track.

<sup>7</sup>Petition to abolish overhead crossing denied; applicant required to repair and put same in serviceable condition.

# GRADE CROSSINGS, TRACK ABANDONMENTS, SPUR TRACKS-- Continued.

Decision No.	Application No.	Applicant	Location	Action	Date
6841	4794	County of Tulare	Waukena	Denied	Nov. 18, 1919
6855	4626	County of Fresno	Raisin City	Granted	Nov. 19, 1919
6858	4751	County of San Bernardino	Rialto	Denied	Nov. 19, 1919
6860	4701	City of San Bruno	San Bruno	Granted	Nov. 19, 1919
6861	4070	County of Stanislaus	Patterson	Granted	Nov. 21, 1919
6863	5123	Los Angeles & Salt Lake Railroad	Long Beach	Granted	Nov. 24, 1919
6871	4630	County of Madera	Chowchilla	Granted	Nov. 28, 1919
6877	5128	Southern Pacific Co.	San Jose	Granted	Nov. 28, 1919
6880	5118	Southern Pacific Co.	Orland	Granted	Nov. 28, 1919
6888	5148	State of California	Ione	Granted	Dec. 5, 1919
6911	5141	San Diego & Arizona Ry.	Middletown	Granted	Dec. 5, 1919
6913	5114	State of California	Divide	Granted	Dec. 5, 1919
6924	5166	Atchison, Topeka & Santa Fe Ry.	Escalon	Granted	Dec. 9, 1919
6927	5165	Bay Point & Clayton R. R. Co.	Bay Point	Granted	Dec. 9, 1919
6929	5123	Los Angeles & Salt Lake Railroad	Long Beach	Sup'l	Dec. 9, 1919
6948	5153	County of Glenn	Rotavele	Granted	Dec. 17, 1919
6949	5158	City of Clovis	Clovis	Granted	Dec. 17, 1919
6950	5125	County of San Joaquin	San Joaquin County	Granted	Dec. 17, 1919
6965	5186	Southern Pacific Co.	Oakland	Granted	Dec. 17, 1919
6983	4806	County of Glenn	Glenn County	Granted	Dec. 26, 1919
6984	5158	County of Merced	Volta	Granted	Dec. 26, 1919
7002	5170	City of Santa Monica	City of Santa Monica	Granted	Jan. 8, 1920
7003	5205	Peninsular Railway Co.	Austen	Granted	Jan. 8, 1920
7014	5829	Western Pacific Railroad	Oakland	Granted	Jan. 8, 1920
7015	4822	Los Angeles & Salt Lake R. R.	Vernon	Granted	Jan. 9, 1920
7037	5184	County of Imperial	Bernice	Granted	Jan. 17, 1920
7039	5241	Minkler Southern Railway Co.	Tulare County	Granted	Jan. 17, 1920
7051	5263	Southern Pacific Co.	Burbank	Granted	Jan. 26, 1920
7052	5183	County of San Bernardino	San Bernardino	Granted	Jan. 26, 1920
7053	5250	Southern Pacific Co.	Los Angeles	Granted	Jan. 26, 1920
7061	4900	Atchison, Topeka & Santa Fe Ry.	El Centro	Dismissed	Jan. 27, 1920
7068	5292	Southern Pacific Co.	Como	Granted	Feb. 5, 1920
7079	5279	Atchison, Topeka & Santa Fe Ry.	Reedley	Granted	Feb. 5, 1920
7080	5280	Atchison, Topeka & Santa Fe Ry.	Placentia	Granted	Feb. 5, 1920
7085	5307	Atchison, Topeka & Santa Fe Ry.	Vallejo	Granted	Feb. 5, 1920
7120	5353	S. F. Napa & Calistoga Ry.	Gardena	Granted	Feb. 13, 1920
7121	5313	Pacific Electric Railway Co.	Bagdad	Granted	Feb. 13, 1920
7122	5319	San Bernardino County			
7126	5337	San Francisco-Oakland Terminal Railways	Richmond	Granted	Feb. 13, 1920
7127	5336	San Francisco-Oakland Terminal Railways			
7132	5318	Southern Pacific Co.	Richmond	Granted	Feb. 13, 1920
7146	5179	County of Sacramento	Richgrove	Granted	Feb. 13, 1920
7151	5220	S. F. Napa & Calistoga Ry.	North Sacramento	Denied	Feb. 20, 1920
7167	5341	Southern Pacific Co.	Vallejo	Dismissed	Feb. 20, 1920
7168	5374	S. F. Napa & Calistoga Ry.	Florin	Granted	Feb. 20, 1920
7169	5363	Southern Pacific Co.	Vallejo	Granted	Feb. 27, 1920
7182	5378	Atchison, Topeka & Santa Fe Ry.	San Jose	Granted	Feb. 27, 1920
7184	5368	Southern Pacific Co.	Visalia	Granted	Feb. 27, 1920
7185	5367	Southern Pacific Co.	Westmoreland	Granted	Feb. 27, 1920
7193	5181	County of San Joaquin	Mountain View	Granted	Feb. 27, 1920
7194	5182	County of San Joaquin	Berhany	Granted	Mar. 2, 1920
7198	5301	County of Stanislaus	Stockton	Granted	Mar. 2, 1920
7199	5402	Sierra Ry. Co. of California	Romain	Granted	Mar. 2, 1920
7200	5161	Atchison, Topeka & Santa Fe Ry.	Oakdale	Granted	Mar. 2, 1920
7201	5148	State of California	San Diego	Granted	Mar. 2, 1920
7206	5165	Bay Point & Clayton Railroad	Ione	Granted	Mar. 2, 1920
7223	5427	Atchison, Topeka & Santa Fe Ry.	Bay Point	Granted	Mar. 2, 1920
7235	5291	County of Colusa	Los Angeles	Granted	Mar. 11, 1920
7246	5422	San Francisco-Sacramento R. R.	Arbuckle	Granted	Mar. 11, 1920
7248	5286	County of Orange	Walnut Creek	Granted	Mar. 12, 1920
7317	5167	Atchison, Topeka & Santa Fe Ry.	Anaheim	Granted	Mar. 22, 1920
			Oakland	Granted	Mar. 30, 1920

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